

**U.S. Department of Energy
Office of Worker and Community Transition**

**Work Force Restructuring Reference Guide:
Case Studies of Restructuring Activities**

**A Companion Document
to the
Planning Guidance for Contractor Work Force Restructuring**

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1.0 Introduction

The Department of Energy's Office of Worker and Community Transition (DOE-WT) has prepared this Reference Guide for Contractor Work Force Restructuring as a complement to the Planning Guidance for Contractor Work Force Restructuring (December 1998), which was developed to assist Department of Energy (DOE or the Department) field organizations to plan for, and mitigate the impacts of, changes in the Department's contractor work force.

The Planning Guidance provides common objectives for work force restructuring while emphasizing the importance of a tailored approach at each site to meet these objectives. In general, the guidance is not intended to be prescriptive; the cognizant field organizations have primary responsibility for assuring planning and overseeing implementation of their work force restructuring. The Department's field organizations are in the best position to consult with affected stakeholders on these plans, to understand the unique needs of work force restructuring at field facilities, and to develop work force restructuring strategies best suited to each individual facility. Consequently, as a result of the work force restructuring activities conducted across the DOE in recent years, there are many unique and significant examples of how different sites tailored their approach to the common objectives identified in the Planning Guidance. This Reference Guide briefly describes a number of these activities in an effort to provide additional information on experiences at DOE sites for consideration by field organizations undergoing continued work force restructuring activities. Points of contact are provided if the user is interested in additional information on the activities described.

The Reference Guide includes examples of actions taken at individual sites on DOE work force restructuring efforts. The examples range from the overall work force planning efforts to the individual benefit programs offered to separated workers at various sites, with many of the examples incorporating a number of issues relevant to work force restructuring. The examples were developed by each individual site for inclusion in this volume.

Further, for a comparative perspective on the DOE examples, data is presented on work force restructuring activities outside the DOE complex. Appendices A-D provide a brief overview of restructuring benefits provided to private-sector employees, Department of Defense contractors, federal military employees, and federal civilian employees as highlighted in public and private sector publications.

Finally, the Reference Guide is presented for illustrative purposes only, not as a prescription for implementation. As appropriate, lessons learned in several of the examples are cited.

2.0 Ongoing Work Force Restructuring Plans

Work force restructuring activities continue throughout the Department, with a number of sites moving from the prior episodic restructuring activities of the early to middle 1990s to a more steady and continuous restructuring need and approach. Initial efforts at planning for these

restructuring activities often resulted in the issuance of multiple plans for individual sites, leading to some confusion regarding the benefits of current plans vis-a-vis earlier plans, excessive paper work, and other concerns. To accommodate the need for continued restructuring, several sites have developed work force restructuring plans that will guide their restructuring as it occurs. The ongoing work force restructuring efforts at the Ohio Field Office and Oak Ridge sites are presented below.

Example: Ohio Field Office Sites *(This example also incorporates aspects of work force planning, communications and early closure strategies)* [Contact: Carol Wilson; (p) 937-865-3871, (f) 937-865-3843]

The Fernald and Mound sites were key defense nuclear facilities during the Cold War. Fernald processed nuclear fuel for the Department's defense reactor operations. Mound produced numerous nuclear and mechanical parts for nuclear weapons and processed nuclear materials for weapons and space applications. Due to shutdown of the Department's reactors in the late 1980s, Fernald's production operations ceased in 1989. Site activities were put into standby mode as the site contractor began to hire people to support the future cleanup effort. As part of the Department's numerous studies on reconfiguration of the nuclear weapons complex, both Fernald and Mound were officially deemed excess to the Department's future needs in 1993. Mound continued production of selected nuclear weapon parts until 1995 to provide appropriate inventories while defense technologies were transferred to other sites. With no continuing defense-funded work, both sites began to offer voluntary separation programs to reduce unnecessary employment. From FY 1993 to the end of FY 1999, Fernald reduced its work force by more than 20 percent to about 1,900, and Mound reduced its work force by nearly 60 percent to 730. These reductions completed defense downsizing at Fernald and Mound.

With no continuing mission, both sites began to define cleanup, transition, and closure strategies. Cleanup and closure would require a different work force skill mix and new contracting methods to complete the cleanup faster and at less cost than with traditional Department practices. In moving from the defense to the environmental management program, the Department created the Ohio Field Office (DOE-Ohio) to coordinate the efforts at Fernald and Mound. A comprehensive Strategic Plan led to defined project baselines for the scope of work and the time frame to complete the cleanup at each site. At Fernald, Fluor Fernald (FF) began work in 1992 under the performance-based contracting concept. They stabilized the work force at about 2,000 as work plans and worker skills were aligned. At Mound, EG&G Mound Applied Technologies completed work under its management and operating contract on September 30, 1997. BWXT of Ohio began operations at Mound on October 1, 1997, under a cost reimbursement, completion-type-contracting concept. They hired approximately 700 people from the EG&G work force to begin the contractual cleanup and closure effort. In moving to project-based work at both sites, it became clear that as each project ended, necessary workers would be reassigned to other projects, while other workers would be retrained or separated.

Since virtually all jobs at these sites would end within a decade, DOE-Ohio developed a work force restructuring plan that defined the path to closure. Strategic plans would relate approved project schedules and contractor projections of the numbers and skills of workers to do the work. Workers would then have a clear picture of when assigned work was complete and would have time to identify opportunities for continuing work or pursuing other career opportunities in the private sector. The plan tasked the site contractor to develop fewer costly, voluntary separation programs, using work force planning as the foundation to help individual workers in transition to private sector work when cleanup projects are complete. The plan also recognized the consensus of stakeholder concerns about using scarce funds for completing cleanup and closure versus providing incentives for workers to leave.

The underlying strategy of the DOE-Ohio plan shifted the primary focus of section 3161 benefits from an incentivized separation program to a safety net for those workers who choose to remain until project completion. Workers who do not enter into a voluntary separation agreement with the contractor would be terminated when the work is complete. They would receive normal contract severance and, if eligible, a minimal amount of benefits such as education, training, or outplacement assistance under the authority of section 3161, and eligibility for medical coverage under the authority of the Displaced Worker Medical Benefit Program. With a defined path to closure for project work, worker skills, and a standard package of severance benefits, the DOE-Ohio plan eliminates the need to develop individual action plans each time a work force reduction is necessary at each project site. Only Headquarters notification of the timing of reductions is now necessary. This Plan brings a more business-like approach to work force management, saving the Department and the contractor time and money and providing the workers an appropriate timeframe to meet individual needs in planning for future career opportunities.

During the first 2 years under the Plan, each site contractor developed methods to implement work force planning and voluntary separation programs. Project baselines and the numbers and skills of workers are defined at both sites, as required by the DOE-Ohio Strategic Plan. Fluor Fernald implemented a managed attrition program where workers whose jobs are scheduled to end within a 2-year window can begin to receive individual assistance in preparing for private-sector work. Based in part on this improved communication, attrition at Fernald has now declined to less than half of the historical rate. And, FF is accomplishing work force reductions at a cost less than contract severance. It is clear that sensitive work force planning and improved communications help meet the spirit of section 3161. The primary measure of success of the DOE-Ohio Work Force Restructuring Plan will be when the majority of workers leave each site employed versus unemployed.

Example: Oak Ridge Operations Office (ORO) [Contact: Lisa Carter; (p) 865-241-9204, (f) 865-576-6864]

- Due to budget uncertainties for current and future fiscal years, ORO found the “generic WFR plan” of value due to its ability to supplement the annual WFR plan with actual numbers reflecting actions taken during the fiscal year, without having to modify the Plan itself.

- A generic WFR plan eliminates the need to continually revise projections and numbers given as estimates by the contractors, at the beginning or middle of the fiscal year through a vehicle such as the WFR Plan Addendum.
- The generic plan works for ORO because it is clearer on what is required, what is optional, what is expected of the contractors, and what is not acceptable. The earlier plans were too descriptive, too bogged down in the weeds, and were hard to understand because there was so much verbiage that the reader had to interpret.
- The generic WFR plan provides for a more efficient use of human resources and support personnel's time in providing information. In previous years, WFR plans had to be continually updated every time a restructuring and downsizing was needed.
- With a more generic plan, it enables the ORO to move from budget driven reduction to recognize a variety of changes in the way the ORO mission is accomplished, and focus more on work force planning.

Disadvantages:

- With the lack of specific WFR information included in an annual plan, the ORO is more likely to receive numerous requests for WFR information from HQ entities, media, and external auditing agencies.
- Without an updated annual plan, many stakeholders may not be aware of changes in DOE missions, funding, and contractual change outs.

3.0 Work Force Planning

The primary objective of work force planning and restructuring is to retain and recruit, as necessary, employees with the skills, knowledge and abilities necessary to effectively and safely meet assigned and future missions within budget constraints. The Savannah River Site and Lawrence Livermore National Laboratory examples provide their perspective on unique aspects of work force planning activities.

Example: Savannah River Site *(This example incorporates education/training benefits and preference-in-hiring efforts) [Contact: Sandi Pike; (p) 803-725-5904, (f) 803-726-7631]*

One initiative taken at the Savannah River Site (SRS) under the umbrella of work force planning and management came as a result of Westinghouse Savannah River Corporation (WSRC) anticipating the need to fill a number of technical nonexempt positions in FY 2000. Then current (1999) attrition projections indicated the need for approximately 60 new employees in these

positions annually. Opportunities for retraining/reassignment into these positions were offered to the existing work force. Once the pool of possible internal candidates is exhausted, WSRC negotiated and reached a cooperative agreement with three local area technical colleges to provide a pipeline of qualified external candidates for these positions.

As part of the agreement, the local colleges will include a substantial portion of the SRS Fundamentals Training curriculum into their school curricula, which will eliminate approximately 9 weeks of post-hire training at SRS. Graduates of the technical college curricula will meet all initial entry requirements for hire into one of several SRS technical nonexempt units. The new curricula, which will be incorporated into an approximate 1-year certificate program, began with the Fall 1999 college semester. Enrollment is open to future SRS employees interested in reassignment to one of these units, preference-in-hiring candidates, construction craft workers, and the public. Until the end of calendar year 2000, each graduate of the college certificate course, who is not hired within six months, will be eligible to receive up to \$1,000 tuition reimbursement from WSRC with the total amount available for such reimbursement capped at \$60,000. However, based on the projected attrition, it is estimated that approximately \$430,000 in savings will be realized annually.

Also, as part of WSRC's work force planning and management, a multi-phase Information Technology (IT) retention plan was developed and implemented. Components of this plan included a stay-on payment, a completion payment, and flexible workplace program, and it targeted 23 IT professionals possessing critical skills for Site Y2K preparation. The retention plan was successful in maintaining the full group during the critical time period--from November 1, 1998, through May 31, 1999. Due in part to retaining these professionals, the site completed the inventory, renovation, and testing of its computer systems, and ready to face the Y2K problem.

Example: Lawrence Livermore National Laboratory [Contact: Margaret Carroll; (p) 510-637-1892, (f) 510-637-2008]

Work force restructuring efforts at Lawrence Livermore National Laboratory (LLNL) began during FY 1996 due to the convergence of three major drivers: changes in operational methods and practices, changes in programs, and changes resulting from an internal cost-reduction study. From these three main drivers, each LLNL organization analyzed its current work force and planned future staffing requirements. A set of guidelines was provided by the LLNL Director's Office to help each office achieve its planning goals. At the end of each organization's review process, the Director's Office was provided with specific information regarding areas for reduction or expansion. This analysis quantified the characteristics of the work force restructuring and a systematic plan for reduction of the work force emerged. A voluntary incentive became key to the LLNL's ability to reduce or eliminate the need for involuntary separations in 1996.

One ongoing aspect of work force planning involves the ability to retain the skills and capabilities necessary to meet current and future missions. The keys to retaining these skills are recruiting and training successor employees to replace skilled individuals leaving the program and mechanisms for retaining skilled employees in the face of strong competition in the job market.

An example of one method for retaining skilled employees involves the termination of the Atomic Vapor Laser Isotopic Separation (AVLIS) project and National Ignition Facility (NIF) downsizings. LLNL employs a matrix system specifically to handle large changes in programs and fluctuations in funding such as those exhibited by both the AVLIS and NIF programs. To avoid reductions, skilled employees are placed in a pool and matrixed out to funded programs as needed until such time as a permanent position becomes available, typically through attrition. This internal brokering process of matching skilled personnel with available-funded positions had been a key to avoiding reductions-in-force and for providing a variety of career paths. To date, no one has been involuntarily separated as a result of the termination or budget reductions associated with these programs.

Example: Idaho Site [Contact: Richard Burger; (p) 208-526-0536, (f) 208-526-5969]

Due to an unanticipated budget shift in FY 2000, there was a real probability that some 60 site workers at the Idaho Nuclear Technology and Engineering Center (INTEC) would need to be reassigned.

However, working under the State of Idaho Voluntary Consent Order (VCO), program management and project management directors at Bechtel BWXT Idaho, LLC (BBWI) integrated work scope schedules and identified site-wide staffing needs at the Idaho National Engineering and Environmental Laboratory (INEEL), thus mitigating adverse staffing issues. Through this management and integration process, all impacted site workers were successfully transferred or otherwise reassigned to other positions at the INEEL. No layoffs were necessary. Following is a summary of the circumstances, management decisions, and successful outcomes of work schedule and staffing integration activities.

In January 2000, fuel handlers were needed for transferring the Three Mile Island (TMI) fuel from the Test Area North (TAN) storage pool. Although other fuel handlers were working at INTEC on Spent Nuclear Fuel (SNF) Operations involving the transfer of fuel from the CPP-603 basins, none could be spared for the TMI fuel transfer. Consequently, BBWI subcontracted additional fuel handling operators to work at TAN.

In March 2000, INEEL SNF Program Managers identified that the SNF Operations needed to reduce costs in FY 2000 to help balance the cost growth for transferring the TMI fuel to dry storage. Although BBWI had identified cost reductions by efficiencies and by deferring other SNF work, more cost reductions were needed. The INTEC Director and Deputy Director began discussions with other INEEL facilities to identify vacancies that could use excess INTEC workers.

In July 2000, TAN identified that it needed more fuel handling operators. The work scope at INTEC was reduced sufficiently in that three fuel operators were transferred to TAN. Even though engineers, radiological control technicians, and operators were examining other alternatives, more needed to be done to shift spending on the SNF program. It was determined that some 60 site workers, including fuel handlers, supervisors, craft workers, quality assurance (QA) inspectors, and radiological control (RADCON) technicians were at risk of transfer.

By August 2000, SNF Operations supervisors, together with the planning and controls engineer, identified minimum activities that must be performed to maintain the INTEC SNF facilities in a safe and compliant condition, while still receiving spent fuel from the Navy and the Advanced Test Reactor (ATR). A detailed estimate was developed of the resources required to perform these activities. Once the work scope and estimate were completed, all existing charge numbers for the SNF program at INTEC were closed. New work authorizations and charge numbers were issued for the reduced work scope.

Planned personal leave and deferred filling of vacancies were enough to maintain the staffing on SNF activities at the lowered levels. Other INEEL facilities found funded work to which to transfer personnel. Some of the subcontracted fuel handlers working on TMI fuel transfer had terminated, so nine INTEC fuel handlers, together with two supervisors, were transferred to TAN. These transfers were coordinated with bargaining-unit representatives. Also, the INTEC maintenance manager contacted his counterparts at other site facilities and found other openings to move employees into. Subsequently, twelve craft workers were temporarily loaned to other facilities. Additionally, two QA inspectors were transferred to the Radioactive Waste Management Complex (RWMC), and RADCON workers were transferred to TAN. Within 1 week, the changes to the INTEC SNF program realized a reduction from 176 full-time equivalents (FTEs) to 110. Within 3 weeks, the number was reduced down to 94 FTEs. With the reductions in the INTEC SNF program, planned reductions of the INTEC High Level Waste (HLW) Operations will be manageable without resorting to any displacements.

Notwithstanding the success of managing the placement, transfer, or reassignment of these personnel, it will become harder to reassign site workers as the Environmental Management (EM) program declines.

3.1 Stakeholder Input and Communications Strategies

Consultation with local, state, and national stakeholders is an essential element of the work force restructuring process. Also, special attention should be given to consultation and communications with the existing work force, their representatives, and local communities. Oak Ridge, Kansas City, and Sandia National Laboratory provide examples of stakeholder input and communications efforts, and lessons learned from those efforts.

Example: Oak Ridge Site [Contact: William Truex; (p) 865-576-0662, (f) 865-576-6964]

Because of the large number of contractors managing and operating DOE facilities in Oak Ridge, under the direction of several program offices, Oak Ridge Operations (DOE-ORO) recognized the need to obtain input from the variety of stakeholders in the community during ongoing work force restructuring. In 1993, the DOE-ORO Industrial Personnel Group (IPG) established, and since then has chaired, an Adjustment Assistance Coordinating Council (AACC), which serves as a mechanism for discussing work force restructuring issues and exploring solutions and actions to address them.

The AACC meets on a regular basis, usually approximately every 3-4 weeks, but varies depending on the level of work force restructuring activity. It is very informal, with no formal membership required, and no charter or by laws. Notes are kept of topics discussed at each meeting, and they are distributed to participants by e-mail, as well as meeting reminders. This keeps everyone informed even if they miss a meeting, and has served to encourage continued participation.

Regular participants include DOE-ORO, contractors (Human Resource Managers and staff, Program Managers, other employee representatives), local union leaders, and representatives of a variety of other organizations (educational/training institutions, local government, economic development groups, citizen public interest/advocacy groups, etc.). In addition, staff members of a Congressman's local office also attend, which has proved invaluable in providing him with a general level of awareness about the need for work force restructuring, and the processes used to implement it. The AACC has become a useful and active networking group, where a significant amount of information is shared (e.g., early drafts of the site-wide Work Force Restructuring Plan; local Hiring Preference Procedures, etc.) and business is accomplished. All of this is to the collective benefit of the contractor work forces, who are the target audience for assistance during necessary work force changes.

Lessons Learned

- Secure a commitment from principal representatives to participate regularly.
- Involve a variety of DOE program and other representatives as appropriate for direct communication with stakeholders (increases validity and credibility).
- Encourage an open and frank exchange of information and concerns.
- Keep the "structure" of any communication group to a minimum, in order to keep the focus on the needs of the impacted workers.
- Include broadest possible representation, on ad hoc basis when that makes sense, to ensure the right mix of participants is at each session for the most productive outcome.
- Follow-up with timely, honest feedback/resolution of questions and issues raised.

Example: Kansas City Site [Contact: Frank Sanchez; (p) 505-845-4864, (f) 505-845-4715]

In any restructuring initiative, the key component is frequent, candid, honest, and reliable communications. Whether the communications are between the contractor's employees and management, between union and management or between the contractor and the DOE, communications can pave the way for smooth operations or create roadblocks and an environment of distrust.

Lessons Learned

The lessons learned from work force restructuring at Kansas City suggest viewing the communications process along the lines of initial communications and continuing communications.

- Initial Communications. Early in the process, all parties need to have a common understanding of the reason(s) for the reductions (i.e., is the reduction-in-force schedule driven or simply a result of insufficient funding availability?). During these early stages, everyone needs to understand (not necessarily agree) what dynamics are at work to cause people to lose their jobs. Failure to reach these early understandings will result in continuing communications problems and distrust of the motives for a reduction-in-force.
- Continuing Communications. The history of funding for the DOE and its contractors has been one of almost constant change for the past several years. People know this and understand that the process of funding allocations is long and many times not resolved until well into the fiscal year. Keep people in the know. Don't shield them from the changes, good or bad. People are generally very resilient and respond to new knowledge well. What they do not respond to is being kept in the dark when they know that more information is available.

Example: Sandia National Laboratory [Contact: Frank Sanchez; (p) 505-845-4864, (f) 505-845-4715]

Effective communications were critical to successful work force restructuring activities at Sandia National Laboratory (SNL). Communications took place on various levels and via a variety of media choices, to ensure broad dissemination of available information. These level and media selections included:

- Managers to employees. Managers received information regarding the corporate activities through "town meetings" and a published information guide. They, in turn, conducted meetings of their "direct-report" employees to share information, answer questions, and relay concerns.

- Individual employees. Every employee also received a packet of information on the day of the announcement. The packet included information on the voluntary separation incentive package, assistance contacts, and guidance on job openings in the Laboratories.
- Internal media. Several methods including the *Lab News* (bi-weekly newspaper), the Internal Web's *Daily News*, the *Weekly Bulletin* and a letter from the President of Sandia were also distributed to all employees.
- Weekly forums. During the restructuring actions, meetings were conducted weekly among representatives from all Vice Presidents and Human Resources to record progress and to work unresolved issues.

SNL first implemented and communicated its policy regarding the realignment of impacted employees to new work/jobs in September 1995, providing an early framework for eventual restructuring activities. More than 2 years in development, it described the principles that drive decision-making regarding realignment, the responsibilities of Sandia's executives, managers, and employees in the process, and the events which mark progress through the process.

4.0 Early Closure Strategy

Several DOE sites have been targeted for early closure, with a specific date established whereby all activities will be completed. This raises certain unique work force planning challenges for those select sites. They must not only have the appropriate skill mix to complete the work through early closure, but face the challenge of being able to retain that work force needed to do the job. With a finite time left for employment, the skilled workers needed to complete early closure will have little incentive to stay until the job is complete, and may look for other employment. Rocky Flats provides an example of the issues to be addressed and some incentives employed to retain the requisite work force (see also the example provided by the Ohio Field Office in Section 2.0 above).

Example: Rocky Flats Environmental Technology Site (This example incorporates aspects of work force planning, communications and stakeholder input, and education/training.) [Contact: Barbara Powers: (p) 303-966-3317, (f) 303-966-7447]

The primary objective of the Rocky Flats Environmental Technology Site (RFETS) is its safe, accelerated closure with a strong commitment to reduce overall project cost and duration while protecting the workers, the community, and the environment. A major challenge for RFETS will be the retention of critical skills and competencies necessary to safely achieve the 2006 closure mission. Although committed to achieving 2006 closure of RFETS, it is important that employees essentially align their career transition goals and time lines with the closure schedule. Of particular concern is the fact that the shortened employment duration associated with accelerated closure hinders attracting and retaining critical skills and competencies.

Based on feedback from a variety of employee surveys, focus groups, and collaboration with representatives from other DOE closure sites, it was determined that employee confidence in their ability to secure future employment is a major factor in their willingness to remain productively engaged in the work of closure. It was also learned that many of the most marketable employees possessing critical skills and competencies are willing to forego other career opportunities and contribute to the closure mission if they are compensated for putting their careers on hold.

Furthermore, current worker transition initiatives created incentives for employees to leave, which would soon outweigh incentives to remain through mission completion. Kaiser-Hill embarked on a broad-based strategy of realigning human resource programs toward initiatives, which more appropriately fit a closure environment versus an ongoing operation.

- Initiatives were developed which provide assistance to employees in developing and implementing accurate information for their own personal “closure plan and schedule.”
- Benefit program revisions were identified that will make the programs more meaningful to employees in a closure site, while tying eligibility to departure on our closure schedule.
- An approach was developed for providing monetary incentives to help retain certain employees with unique and critical skills and competencies necessary for accelerated closure.

Listed below is a summary of the programs that have been implemented to date.

Programs Implemented

- Career Transition Center. The Center provides professional outplacement and career counseling to assist employees in planning their personal closure plan.
- Job Skills Analysis. This is the ongoing forecast of headcount by skills code which assists employees in preparing their personal closure plan.
- Entrepreneurial Resource Program. This program helps to create self-employment for current and former Rocky Flats workers through the provision of in-depth business planning assistance and other value-added services.
- Revisions to Tuition Reimbursement Programs. This initiative allows employees to access a broader range of education options. It is expected that employees’ employability and market skills for positions after leaving Rocky Flats will increase.
- Employer Network. Kaiser-Hill is creating partnerships with area employers to facilitate consideration of employees for their current/future openings.

- Salaried Pension Plan Improvements. With DOE-HQ approval, the salaried pension plan was amended by adding a lump sum option (lump sum eligibility tied to layoffs), reducing early retirement reductions and eliminating the social security offset.
- Financial Planning Seminars. Kaiser-Hill provides professionally-led seminars to interested employees each quarter.
- Vacation Accrual Adjustment. This allows employees to establish a larger earned vacation bank that would then be available for career transition purposes at the time of their termination.

The costs of the initiatives discussed above can easily be offset by their impact on avoiding even greater costs associated with scheduled delays, and the cost of obtaining replacement employees. These initiatives are also expected to reduce employee anxiety about closure and allow employees to align their personal closure schedule with that of the site work they perform, thereby enhancing their productivity.

Lessons Learned

- Existing worker transition initiatives created incentives for employees to leave, which would soon outweigh incentives to remain through mission completion.
- Employees possessing critical skills and competencies are often willing to contribute to the closure mission if they are compensated for putting their careers on hold.
- Human resource programs and monetary incentive programs must be developed and more appropriately fit a closure environment versus an ongoing operation.

5.0 Outsourcing/Privatization

While the Planning Guidance is silent on the objectives associated with outsourcing and privatization, these activities are recognized as another means of restructuring the current work force to meet overall objectives. A number of the sites have incorporated outsourcing and privatization as a work force restructuring tool. Savannah River and Rocky Flats have been leaders in this area.

Example: Savannah River Site [Contact: Tom Reynolds; (p) 803-725-1680, (f) 803-725-8573]

There have been seventeen outsourcing, privatization, or spin-off initiatives at the Savannah River Site (SRS) between 1994 and 1998 (listed below). Following are more detailed descriptions of three.

Basic Ordering Agreement for ER (1/94) New Sanitary Landfill (1/94)

Machine Shop Services (1/94)	Telecommunications Operators (1/94)
Corral Subcontract for E&D Work (1/94)	Motor Repair (1/94)
Contaminated Laundry Facility (1/95)	Vehicle Repair (1/95)
Bldg. Maint. For Admin. Facilities (1/95)	SCE&GD-Area Powerhouse (1/95)
News Clippings (1/95)	Computer Training (11/95)
Low Level Waste Reduction (10/96)	Treatment of Mixed Waste (6/97)
Westing. Safety Mgmt. Solutions (10/97)	Emergency Service Integrators (1/98)
Three Rivers Landfill (7/98)	

The most notable spin-off was the formation of Westinghouse Safety Management Solutions, LLC (WSMS). By 1997, it was apparent that safety management work at SRS would level off while opportunities at other government sites and in the commercial sector would increase. This spin-off approach maintained SRS's access to the outsourced employees' safety management competencies, while at the same time making them available to the entire DOE complex. Otherwise, these employees could have moved to other sites individually or to private industry. Comprising of 154 former Westinghouse Savannah River Corporations (WSRC) employees, the newly-formed WSMS provides all safety analysis, licensing, and regulatory support to WSRC. WSMS also contracts a full range of safety management solutions to the U.S. Department of Energy, U.S. Department of Defense, and commercial clients in the U.S. and abroad. WSMS now provides "external" expertise to maintain and improve upon the exceptional safety and health record at SRS, but does so on a task order basis. This contracted task-based approach is expected to save SRS over \$15 million between 1997 and 2001, and allows SRS contractors to staff to the valleys and augment with subcontractor support during peak periods.

In January 1998, another spin-off company was started by a group of employees who had designed and implemented the Emergency Operations Center (EOC) and the 911 Response Center and System for SRS. This spin-off company contracted with WSRC to perform continuing operations and maintenance of these services as well as to perform similar services for regional governmental organizations. The original group of six employees has since grown to ten, and business has expanded beyond the local region.

In July 1998, the Three Rivers Landfill, a lined, regulatory compliant landfill, was opened on SRS property to serve the South Carolina Counties of Aiken, Barnwell, Bamberg, Orangeburg, Calhoun, Saluda, Edgefield and McCormick. No SRS employees were impacted due to this privatization; however, the landfill created 15 permanent jobs without eliminating any jobs in the eight counties. It is estimated the landfill will collectively save the eight counties approximately \$2 million per year and SRS approximately \$24,000 per year.

Due to these spinoffs, privatizations and outsourcing activities from 1994 through 1998, about 200 employees, have been outsourced. No outsourcing activities took place in FY 1999.

Example: Rocky Flats Environmental Technology Site (This example incorporates voluntary and involuntary separation packages, and education/training benefits.) [Contact: Barbara Powers: (p) 303-966-3317, (f) 303-966-7447]

Kaiser-Hill's strategy is to retain employees with the skills required to deliver core activities at the Rocky Flats Environmental Technology Site (RFETS). Ancillary support activities that require fluctuating staffing levels or specialized expertise may be performed by subcontractors outside of Kaiser-Hill. Consistent with DOE policies and procedures, the Rocky Flats Field Office's (DOE-RF) Work Force Restructuring Plan Three, and with applicable collective-bargaining agreements, make-or-buy cost evaluation tools are used to determine whether outsourcing will accomplish measurable cost savings, or meet other outsourcing objectives. Staffing flexibility, avoidance of capital expenditures, increased efficiency, or access to expertise not available at RFETS, are key considerations when making the ultimate outsourcing decision.

Kaiser-Hill has established a make-or-buy review committee to review initial outsourcing decisions. The review committee requests bargaining-unit involvement in appropriate circumstances that have the potential to impact bargaining-unit employees. The purpose of outsourcing is not to reduce wages and benefits for existing employees, but rather to improve productivity.

Implementation Process

Once an area is identified for outsourcing, Kaiser-Hill pursues the following process:

- Kaiser-Hill will notify DOE every 6 months of potential outsourcings that are being considered for implementation during the next 6-month period. They will also report outsourcings that became effective during the preceding 6-month period.
- Affected employees will be notified prior to the anticipated contract effective date that their scope of work is at risk of being subcontracted and that they are, therefore, at risk of being involuntarily separated.

At that time, affected employees will be provided detailed, written notification of their separation benefit program options. In the event that the Voluntary Separation Payment Program (VSPP) is one of the options, employees will receive adequate advance notice to comply with the requirements of the Age Discrimination in Employment Act and the Older Workers Benefit Protection Act. If an employee is eligible, and elects the VSPP option, he or she will have to comply with the restrictions on re-employment set out in the General Release and Waiver.

- Affected employees who are involuntarily separated will receive a 2-week layoff notice prior to the effective date of the new subcontract. In some cases, management may choose to involuntarily separate employees after the subcontract has taken effect. At management's discretion, employees receiving their 2-week notice will either remain at work during the 2

weeks or be sent home with pay, pending the termination of their employment. Salaried employees will receive the standard Involuntary Separation Program (ISP) including severance pay.

- An onsite tuition reimbursement program provides employees with an ongoing opportunity to retrain themselves to provide core functions, and thus remain employed in the jobs available at RFETS. Employees whose functions are being outsourced are also offered the following:
 - Voluntary separation through the current VSPP, if offered;
 - Involuntary separation through the current ISP;
 - Involuntary separation after accepting a position with the outsourced entity. This option allows the employee to accept employment with the new entity, work through the separation notice period, and receive his or her full severance payment and hiring preference.

In implementing the outsourcing program, we learned that it was important to maximize the amount of advance notice to employees of impending outsourcing or other restructuring. This advance notice has allowed employees a reasonable opportunity to make decisions regarding alternative placement at RFETS, to begin an external job search, or to accept employment with the outsourced subcontract, if that option is available.

Example: Hanford Site [Contact: Carole Byrd; (p) 509-372-1535, (f) 509-376-5378]

Under the contract awarded to Fluor Hanford, Inc. (FHI) and a team of major subcontractors, effective October 1, 1996, there was significant outsourcing at the Hanford Site. A component of the Fluor team proposal included economic transition and stabilization of the local economy through the conversion of a number of Hanford jobs to private-sector jobs and a commitment to develop additional non-Hanford work. Upon the assumption of contract responsibilities, Fluor transferred 2,204 former Westinghouse Hanford, Boeing and ICF Kaiser Hanford employees to local corporate affiliates called Enterprise Companies or ENCOs.

Each local corporate affiliate was selected by Fluor to be a directed source of supply for Hanford for a specific scope of work. The initial contract term for each of the affiliates was 2 years with options for additional renewals. During this 2-year period, the corporate affiliates were expected to develop private non-Hanford work in order to become viable local businesses that would fuel long-term employment growth and stability outside of the Hanford market.

During the past 4 years, changing priorities have reduced the exclusive work scopes assigned to the corporate affiliates. The dollar value of exclusive work has steadily decreased from \$228M in FY 1997 to an estimated \$127M in FY 2000.

Four of the six initial corporate affiliates still remain. Two were discontinued and their work scope moved back into the Fluor Hanford Contract for business reasons. These two corporate affiliates were B&W Protec, responsible for safeguards and security services, and Duke Engineering Services Northwest, responsible for quality assurance and inspection services. It was determined that safeguards and security services had very limited non-Hanford job growth opportunities, and the QA scope of work performed by Duke was really a core function which should be self-performed by Fluor Hanford.

Through FY 1999, the corporate affiliates have created 161 non-Hanford jobs:

B&W Protec	1
COGEMA	11
Duke Engineering Services NW	38
Fluor Federal Services	64
Lockheed Martin Services, Inc.	28
Waste Management Technical Services	19

Fluor Hanford has established a formal program called the Buy for Economic Stabilization and Transition Program (BEST) for consideration of other Hanford work scope for outsourcing/privatization opportunities. The BEST program establishes the policy and guidance to ensure that all work activity, products, and service requirements are acquired in a cost-effective manner. This program was instituted in order to fulfill the contract commitment that Fluor would outsource 50 percent of its total budget by 2001.

Because the basic premise of the BEST program is that further local economic development and job creation are essential to the successful completion of the Hanford objectives, a bias for “buy” is built into the plan. The process begins as early as the development of the Annual Work Plan and Multi-Year Work Plan where each manager is required to review potential work scope for subcontracting candidates. Two examples of successful BEST candidates that have been outsourced include fabrication of spent fuel basket canisters and calibration standards services.

The Hanford Spent Fuel Project had a need for approximately 400 large multi-pack fuel canisters to hold the spent fuel material temporarily stored in the 100-K Area pool basins. The fabrication capabilities did not exist on the Hanford site. Using the process contained in the Hanford Atomic Metal Trades Council (HAMTC) collective-bargaining agreement, Fluor worked with the union to outsource the fabrication work to an off-site vendor.

The Hanford Calibration Laboratory was in need of an upgrade due to a deficiency in meeting NQA-1 calibration standards. Due to funding constraints, the decision was made to outsource these services. Successful discussions with HAMTC provided for the transfer of the incumbent union-represented work force to an outside vendor. Although the employees were

transferred to a private employer, they remained in the Hanford site benefits program and retained all service credits.

The above examples involved employees represented by a bargaining unit, emphasizing the need for early involvement of the Industrial Relations staff of the Richland Operations Office in the consideration process. In addition, we have learned it is important to involve the Legal, Contracts, and Human Resources functions early in the process.

As a result of implementing the corporate affiliate contracting arrangement and active use of the BEST program, the contractor outsourced 57 percent of its budget by the end of August 2000.

6.0 Restructuring Methods

There are several methods by which work force reductions may be implemented. These include voluntary options (early retirement packages and voluntary separation programs, in addition to managed attrition) and involuntary reductions-in-force. Savannah River, Rocky Flats, and Oak Ridge offer perspectives on each of these options.

6.1 Early Retirement Program

Example: Savannah River Site [Contact: Sandi Pike; (p) 803-725-5904, (f) 803-726-7631]

The first Early Retirement Incentive (ERI) at the Savannah River Site (SRS) was initiated as part of an overall strategy to reduce the work force by approximately 2,600 workers during FY 1993. Participation in this initial ERI was limited to full-service Westinghouse (WSRC) and Bechtel (BSRI) employees who were covered under the WSRC or BSRI pension plans.

Intermittent construction craft workers were initially excluded from participation. As a result, although these intermittent workers were incorporated into later ERIs based on stakeholder input, the initial exclusion of construction craft workers from participation in the ERI created an environment that produced a considerable amount of negative feedback to both the DOE Savannah River Operations Office (DOE-SR) and its contractors.

The ERI allowed employees to add 3 years of service and 3 years of age as of September 30, 1993, for determining retirement eligibility and to calculate pension benefits. All full-service employees who, with the addition of 3 years of age and service would be eligible for a regular retirement, were eligible for the FY 1993 ERI. A packet of information about the ERI was sent to eligible employees' home addresses. There was an overwhelming response to the FY 1993 ERI with over 700 employees electing to take the ERI.

In FY 1995, three factors required further reductions in the SRS work force: (1) the continuing need to reduce federal expenditures; (2) the changing SRS missions; and (3) contract reform initiatives including fixed-price subcontracting. As a result, a reduction of approximately 4,200 workers was needed prior to the beginning of FY 1996. Another ERI as well as a voluntary separation program was offered to maximize the number of employees able to leave SRS of their own choice. The FY 1995 ERI was identical to that offered in FY 1993 except that a job attachment test consistent with the DOE Headquarters (DOE-HQ) guidance had to be met, and eligible, intermittent construction craft workers could participate.

During FY 1996, the need to reduce federal expenditures again made headcount reductions a principal objective prior to the beginning of the next fiscal year. To accomplish needed work force reductions during that year, DOE-SR and WSRC planned to offer a Voluntary Separation Program (VSP), but no ERI, prior to any involuntary separations. There were two primary reasons for not offering an ERI. First, more so than in VSPs, employers who "fence" out employees with critical skills who are retirement eligible, even though a legitimate business need, may be legally challenged. Second, there was a concern that ERIs, if repeatedly offered during every reduction-in-force, could at some point become expected by the plan participants as a fundamental part of the plan design. However, after considerable consultation with various stakeholder groups, including Congressional representatives, an ERI was offered again in FY 1996.

In February 1996, after the VSP and ERI were planned but before they were implemented, the DOE announced a moratorium on any involuntary separations throughout the remainder of calendar year 1996. The moratorium on involuntary separations had an apparent effect, i.e., a much smaller number of employees actually opted to leave the work force voluntarily, either by way of the ERI or VSP, than what had been estimated prior to announcement of the moratorium.

Also prior to the ERI and VSP being implemented in FY 1996, new requirements were placed on the contractors to provide the number of employees, by age, in each job category. This was to avoid violations of the Age Discrimination Employment Act (ADEA). Although the task was quite cumbersome, WSRC developed tables that DOE-HQ found useful as a model for other sites.

In FY 1997, involuntary work force reductions occurred twice. No ERI was offered for the same reasons that were considered in FY 1996, but more so because the FY 1997 reductions were merely a continuation of the FY 1996 downsizing initiative that was delayed by the moratorium.

Early in FY 1998, it was announced that no layoffs would occur at SRS during that fiscal year; therefore, no ERI was offered in FY 1998.

Lessons Learned

- Since an ERI, if offered, generally should be offered to all employees who meet the stated eligibility requirements to avoid age discrimination and technical pension problems, SRS lost many needed skills through each ERI.
- In evaluating the decision to offer an ERI, consideration should be given to how it is communicated to the work force so as to avoid future expectations of ERIs in future reductions-in-force. Even so, ERIs, if repeatedly offered at every reduction-in-force, have the potential of becoming an expectation on the part of plan participants. In evaluating the decision to offer an ERI more than once, consideration should be given as to whether the ERI is beginning to become an expectation by the work force, which could require the Plan Sponsor to accept the ERI as a part of the pension plan design and/or could have the potential of exposing the plan to a legal challenge by a future participant(s) who was not offered an ERI.
- Sending ERI information packages to eligible employees' homes, though costly, ensured positive contact with, and greater responsiveness from, more employees than may have otherwise been realized.
- When destaffing strategies are formulated, care must be taken to ensure that each stakeholder group is consulted, including intermittent workers, union representatives, and Congressional representatives.
- The tables WSRC used to display the ADEA age data were in a clear, useful format that DOE-HQ used as a sample for use at other sites.

6.2 Voluntary Separation Program

Example: Rocky Flats Environmental Technology Site [Contact: Barbara Powers: (p) 303-966-3317, (f) 303-966-7447]

The Voluntary Separation Payment Program (VSPP) has been a useful tool at the Rocky Flats Environmental Technology Site (RFETS) in minimizing the impacts of work force restructuring and the numbers of involuntary separations.

The VSPP could be implemented for one or more reasons including budget reductions, outsourcing of a function or activity, building or function shutdown, or efficiencies gained through realignment of work processes. An employee participating in the VSPP cannot become employed at RFETS or by DOE or any other contractor or subcontractor for a period of 1 year from the date of his or her separation unless the employee refunds a pro rata share of his or her separation payment to DOE. Only those employees, who were hired on or before September 27, 1991, are eligible to participate in the VSPP.

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VSPP payments are based on continuous years of service since the latest hire date with the current contractor, its predecessor, or eligible subcontractor at the site. The payment scale begins at 24 percent annual base pay for 5 years of service and graduates upwards 2 percent for every year of service ending at 80 percent of base pay for 33 years of service and above.

Employees taking the VSPP are eligible for the Displaced Worker Medical Benefits Program (if they meet the program requirements), a retraining benefit of \$10,000, and career assistance services.

In order to have controls on the types of skills leaving RFETS, the following criteria were developed for use by management in determining acceptance or rejection of VSPP applications:

- Impact to critical environmental, safety, and health mission supported by the applicant;
- Impact to a critical safeguard and a security mission supported by the applicant;
- Creation of a condition which would require hiring off-site to backfill a resulting vacancy;
- Probability that the applicant will be involuntarily separated;
- Probability that the voluntary separation by the applicant will save another worker from being involuntarily separated.

There are three VSPP options which may be used depending on RFETS's circumstances:

- Targeted VSPP. When it has been determined that a particular department, job classification, or employee group must downsize, the affected employees may be given an opportunity to be voluntarily separated. Once final management approval has been given, the approved employees will separate on a specified date.
- Predetermined VSPP. Under this option, employees who apply (if the VSPP is offered) and are selected to participate in the VSPP will terminate employment on a date sometime in the future (potentially 6 to 36 months away) based on the completion of their work assignment, building closure, or project. This option would provide certainty to both the employee and the company as to a separation date.

- Large-scale VSPP. If a large-scale VSPP is necessary, management will determine which company employee groups shall be eligible for the VSPP. This option would be used in the event of significant budget reductions, etc.

Example: Hanford Site (Contact: Carole Byrd; (p) 509-372-1535, (f) 509-376-5378)

In 1995, a Special Voluntary Reduction of Force (SVROF) was offered to employees of Westinghouse Hanford, Boeing, and ICF Kaiser. Three (3) options were available to employees in specified job categories. Two of the options offered a lump sum in lieu of benefits.

Option One was available to all employees in the specified job categories and offered a separation payment of 1 week of base pay per year of credited service up to 26 weeks, medical benefits, educational assistance, and relocation assistance. This was an enhancement from the normal severance pay maximum of 20 weeks of pay for involuntary layoffs. Part-time employee severance pay was prorated.

Option Two was available to employees in specified job categories whose employment at Hanford (or another DOE defense site) began on or before September 27, 1991. The option offered a one-time cash payment of \$15,000 in lieu of severance pay, educational assistance, and relocation assistance.

Option Three was available to employees in specified job categories whose employment at Hanford (or another DOE defense site) began after September 27, 1991. The option offered a one-time cash payment of \$7,500 in lieu of severance pay, educational assistance and relocation assistance.

All employees who participated in the Special Voluntary Reduction-in-Force were eligible to receive outplacement assistance and to continue to use the services of employee assistance programs. They could elect to continue medical, dental, and vision insurance coverage for self and eligible dependents for up to 36 months. They also could continue basic life, accidental death and dismemberment, dependent life, personal accident and long-term disability coverage. Participating employees were not eligible to be rehired by the contractor from whom they separated or its integrated subcontractors for 1 year from the date of separation.

Participation levels demonstrate that the lump sum options were effective in incentivizing employees to separate voluntarily. Approximately 79 percent of the participants chose one of the two lump sum options instead of the enhanced severance. Participation in each of the three options is listed below.

Option 1 (severance):	199
Option 2 (\$15,000 incentive)	482
Option 3 (\$7,500 incentive)	<u>282</u>
Total	963

Each of the options targeted different employee populations. Option One was generally the choice of participants with the longest service credit who would receive the highest levels of severance and/or wanted to use the educational assistance and/or relocation assistance benefits. Of the 199 employees who participated in Option One, 163 were hired before September 27, 1991, and 36 were hired after that date.

Option Two was more likely to be used by employees with a mid-range of service credit who, therefore, would have received less than the maximum severance benefit and who did not want or need the educational and relocation assistance benefits. Option Three targeted employees with just a few years of service. They were not eligible for Option Two and their severance would be minimal if they selected Option One.

Example: Elk Hills [Contact: Diana Greenhalgh; (p) 202-586-5563, (f) 586-4446]

The Office of Naval Petroleum and Oil Shale Reserves (NPOSr), Fossil Energy, initiated the 1995 contractor staffing reductions of Bechtel Petroleum Operations, Inc. (BPOI) in order to maximize the profitability and operational efficiency of the Elk Hills oil field. NPOSr believed that, through responsible streamlining, significant staffing reductions could be made without impairing operations or health and safety standards at the field.

To develop a responsible yet compassionate work force restructuring plan, a review team, consisting of representatives from each of the major stakeholders at Elk Hills, was formed. The stakeholders were Headquarters NPOSr, DOE-Naval Petroleum Reserves in California, BPOI, and Chevron U.S.A.

An Elk Hills steering committee began the streamlining initiative with an analysis of 22 functional areas of responsibility of BPOI and an appraisal of the Elk Hills work environment. Another consideration was proposed staffing levels by Chevron U.S.A. which had been included in an unsolicited proposal to the Department to take over operation of Elk Hills.

The analysis identified three separate potential staffing levels for a restructured BPOI work force, each level depending upon NPRC's ability to effect certain changes in work requirements and processes. The total reduction target associated with these three levels was 230 employees, or about 32 percent of the BPOI work force of 726. The July 1995 restructuring effort focused on the first level of reduction. The first level called for a reduction of 164 employees.

The work force restructuring consisted of both a voluntary separation program and an involuntary separation program. No early retirements were offered. The voluntary separation program provided enhanced severance benefits for employees who volunteered to resign. The voluntary separation benefits included enhanced severance pay based on a minimum of \$10,000, using a formula with a declining rate based on 150 percent of normal severance pay for employees who would receive the least amount to no additional severance for employees who would normally receive \$70,000 or more. Employees could also receive educational or retraining opportunities; continued medical insurance assistance if they had no other means of obtaining it; and reemployment/placement assistance through an outplacement services center that was established for NPRC employees.

The involuntary separation program was compliant with the BPOI Human Resources policy and procedures manual. Those separations would be made based upon the outcome of the voluntary separation program and on a structural review of a number of factors including, but not limited to, versatility, demonstrated performance, length of service, and impact on affirmative action goals where other factors were relative equal.

Because no rehiring was planned for positions vacated, management reserved the right to decline a request for enhanced voluntary separation if the individual or position was determined to be critical to mission accomplishment.

The restructuring program resulted in 196 voluntary separations and two involuntary separations at a total cost of \$7.4 million. Annual savings to the program were estimated to be \$11 million.

Key to the success of the voluntary separation program was a comprehensive communications network established by BPOI's Human Resources Department (HRD). "Human Resource Open Meetings," facilitated by the Manager of the HRD, were held. In addition, a hotline was established so that employees could call directly to ask questions. The most frequently-asked questions, along with prepared answers, were posted weekly on a bulletin board on the electronic mail system as well as published and distributed to each employee.

Lessons Learned

- It is important to have strict criteria established in screening applications to ensure that critical skills are not allowed to voluntarily separate.
- Reviews need to be conducted routinely to ensure that individuals are not returning to work before the time limit on the General Release and Waiver has expired. Due to audit findings, we require Kaiser-Hill to do monthly spot checks of new hires to ensure that this situation does not occur. It also helps in assuring that hiring preference is being honored.

6.3 Involuntary Separation Program

Example: Oak Ridge Site (*This example incorporates aspects of communication efforts.*) [Contact: William Truex; (p) 865-576-0662, (f) 865-576-6964]

Three areas of importance in implementing a reduction-in-force include guidelines for employee selection, efforts to communicate the process to involved parties, and training personnel for notifying those selected. Oak Ridge contractors, Lockheed Martin Energy Systems (Energy Systems) and Lockheed Martin Energy Research (Energy Research), have developed a process and communicated guidelines for reduction-in-force selection. The guidelines have been distributed to all division, office, and program managers and are updated and redistributed as needed. The guidelines provide step-by-step information beginning with the identification of impacted positions and the selection of employees to be involuntarily laid off. Selection requires consideration of mission needs, identification of peer groups, and ranking employees by retention criteria. The process also includes an adverse impact analysis, completion of layoff comparison forms which serve to document peer group identification and retention criteria evaluation, and presentation to the Reduction-in-Force Review Board.

An important step for the Manager is to identify peer groups—typically employees within the same organizational unit who perform the same or similar types of work and have comparable skills. The key concept is interchangeability or the ability to assume job assignments. Secondly, the Manager will rank employees in the peer group by the following retention criteria: possession of criteria skills, annual performance review results, job knowledge/skills in current position, transferability of skills, length of company service, and time in current position.

The Division or Program Manager will present the proposed actions to the Reduction-in-Force Review Board. The Board, chaired by the Human Resources Division Director, consists of the Work Force Diversity Manager, staffing and compensation organization representatives, and an executive line manager who is not a part of the organization being reviewed. The Board is responsible for ensuring fairness, consistency, and compliance with EEO requirements prior to employees receiving reduction-in-force notices.

The Energy Systems and Energy Research reduction-in-force selection process was cited in the Assessment and Programmatic Implications of Worker and Community Transition Activities on Diversity Programs and Initiatives performed by Parallax, Inc., and has been named as a Best Practice by the Office of Federal Contract Compliance Programs. In addition, DOE presented a Notable Best Practice Award to Energy Research in 1998 for establishing a reduction-in-force review board. In 1997, Energy Systems received the first DOE EEO/Diversity ZIA award for excellence. This is DOE's highest level award in

recognition of excellence in EEO/diversity programs and systems within DOE organizations.

Work force restructuring programs including plans for a reduction-in-force are communicated to managers and employees by several means. Initial communications take place via the electronic bulletin boards, *ORNL Today*, and *Inside Energy Systems*. In addition, meetings are held for Managers and bargaining unit officers and employees. Formal presentations are followed by question and answer sessions. Reduction-in-force guidelines have been communicated to employees in *Ridgelines*, the Lockheed Martin newspaper, and may be found on the Internet. Reduction-in-force announcements, including communication of the voluntary reduction-in-force program and application, are sent to each employee by internal mail. Special sessions are held to present and communicate the benefits that accompany a voluntary reduction-in-force program.

A Reduction-in-Force Workshop for Supervisors (or Notifier Training) is offered to interested managers who have not previously communicated a layoff. The sessions are held at the Lockheed Martin Career Center and include a review of the notice package contents, instructions to supervisors, guidance on Career Center activities and services, a list of contacts for information and assistance, and tips on planning and conducting an effective notification meeting. These tips include preparing communications, setting a tone, coping with emotions, dealing with anger, and maintaining morale. Supervisors may view a videotape, *The 60-Day Notice*, produced by Boeing Corporation. Additional resources and assistance are available from the Employee Assistance Program, the Ethics Office, and the Human Resources Division.

6.4 Retraining/Reassignments

Example: Savannah River Site [Contact: Sandi Pike; (p) 803-725-5904, (f) 803-726-7631]

(Reassignment without Retraining)

Through WSRC's quarterly process to update their work force analysis, it was determined that there were some skills mix problems. Within the nonexempt ranks, there was a current excess of Electrical and Instrumentation (E&I) mechanics and maintenance employees. In addition, there was a shortage of radcon inspectors and production operators. The need for radcon inspectors and production operators is expected to increase as the site prepares for new facilities to process tritium and plutonium which are in the process of being designed and built. Although staffing those facilities will not begin for several years, steps need to be taken soon to have trained and skilled employees ready to operate the new facilities when completed.

To address this skills-mix problem and the fluctuating staffing need for technical nonexempt employees, WSRC proposed establishing a new nonexempt work unit, the Multi-Skilled Technician Unit (MSTU) at pay grade 20. The MSTU would consist of employees cross-trained on the skills of production operators, radcon inspectors, and E&I or maintenance mechanics. Employee input was sought from a variety of sources including the First Line Supervisors Advisory Council, a nonexempt focus group, and the Senior Maintenance Management Council. With SR concurrence, WSRC implemented the MSTU in March 2000. Applying for a position in the MSTU was voluntary. Selection was contingent upon passing an aptitude exam, and either currently or previously holding a pay grade 20 position in one of the associated, existing technical work units (maintenance, E&I mechanic, radcon, or production operator). Establishing this new work unit has provided an effective tool for retaining the skills and talents of some of the current nonexempt employees, while simultaneously meeting the current and future staffing/business needs. Initially, approximately 100 employees will be cross-trained.

(Reassignment without Retraining)

After the window for accepting applications for WSRC's Early Retirement Incentive (ERI) Program had closed, WSRC had approximately 280 employees who occupied excess positions. Prior to an involuntary layoff being considered, WSRC enacted the "matching process" that had been successfully used for excess employees in prior downsizing events. Through this process, WSRC again experienced significant success in placing the majority of excess employees in vacant positions.

The following describes the matching process: The matching process is initiated first at the division level with Division Directors making every effort to fill funded vacancies with their own personnel. For example, through this first step of the matching process, approximately 100 excess employees were reassigned within their Divisions in FY 2000, leaving approximately 180 employees still in excess positions.

Next, a thorough review of the qualifications of excess exempt employees is conducted in "placement" meeting(s) held to match excess employees with staffing shortages across the site. These meetings are facilitated by HR and are a formalized process in which Division Directors determine possible skill matches for their own staffing shortages. Often potential problems may arise when there are multiple employees qualified for a limited number of positions. Likewise, there are cases in which several Division Directors may want an excess individual who has highly-valued, needed skills. However, with all the effected Division Directors being involved in the placement meetings, the tendency for viewing possible candidate reassignments from a site-wide perspective, instead of from a less-collaborative perspective, is enhanced. As a result of the FY 2000 placement meetings, over 170 excess employees were placed in needed positions. Approximately 10 employees remained in excess positions; however, many of these were needed in their

current positions for the short term to complete required work scope for FY 2000. In addition, due to the fairly constant attrition rate, WSRC projected that the few remaining excess employees could soon be placed into higher priority long-term positions.

As a result of the matching process and placement meetings, WSRC was able to avoid an involuntary layoff of approximately 280 employees.

7.0 Displaced Worker Benefits

It is DOE's policy that preference-in-hiring and displaced worker medical benefits are to be offered to all eligible separating employees. Additional programs that may be provided to affected workers and any applicable eligibility requirements should be fully described in the plan. Requests for funding educational, relocation, and outplacement assistance should be considered to minimize the social and economic impact of work force changes, as well as a one-time construction worker benefit. Nevada, Hanford, Idaho, Savannah River, Oak Ridge, Richland and Los Alamos provide examples of education assistance, outplacement, and a one-time construction worker benefits, and preference-in-hiring benefits.

7.1 Education/Training

Example: Nevada Site [Contact: Toby Bickmore; (p) 702-295-1012, (f) 702-295-2367]

With the implementation of the section 3161 program and the development of a work force restructuring plan in 1993, the DOE Nevada Operations Office (DOE-NV) established a tuition assistance program (in addition to severance pay, relocation assistance and displaced worker health benefits) which would be available to contractor employees affected by downsizing activities. The intent of such a program was to provide the training necessary for these individuals to re-enter the job market, either in their current profession or a new skill area. Despite the administrative complications, DOE-NV and its contractors have acknowledged that this program has been one of the more successful features of the section 3161 program.

Early planning for implementation of the tuition assistance program began in March of 1993. The DOE-NV Human Resources staff met with representatives from the State of Nevada to discuss: the resources of the state and associated agencies that could be made available to DOE and its contractors to assist dislocated contractor employees, the role and services of various associated agencies including the Job Training Board for Southern Nevada and the Nevada Business Services, and the coordination of section 3161 requirements with state services. This initial meeting established the groundwork for a coordinated tuition assistance program offered by the DOE-NV contractors and the state.

In April 1993, a planning workshop was held with attendees including DOE-NV and its contractor human resource counterparts, as well as state representatives. The state

representatives provided a briefing on the services they would offer. At this point the coordination of the DOE-NV and state programs was agreed upon. The state would provide assistance in evaluating employee aptitudes, interests, and skills to maximize matches with job and career opportunities as well as provide limited, restricted tuition assistance for up to 1 year. DOE-NV and its contractors would offer the section 3161 tuition assistance program. Based upon parameters provided by DOE Headquarters (DOE-HQ), the initial program included: support for two semesters/three quarters of full-time status, maximum allowance of \$5,000, schooling was to begin within 1 year of layoff and be completed within a 24-month period, and the education was to lead to proficiency in an occupational area in which the dislocated worker reasonably could be expected to find employment. Approximately one third of the separated individuals in FY 1993 utilized the assistance.

In early 1994, DOE/NV developed a new work force restructuring plan for anticipated separations in FY 1994. Further, to meet work force planning requirements, the DOE/NV contractors offered a voluntary separation program including tuition assistance as an incentive. The program was adjusted in order to better complement the state services, as well as allow separated employees a greater opportunity to utilize the benefit. The benefit eligibility period was expanded to four semesters/six quarters and the schooling must have begun within 2 years of the layoff and be completed within a 36-month period. Nearly one-third of the separations were voluntary and again one-third of the separated individuals utilized the assistance.

In late 1994, forecasts showed that 1995 would be a major year for separations. Not only were there anticipated budget cuts, but the three prime Management and Operating contracts were to be competed as one consolidated contract. Forecasts showed that layoff totals could exceed 1,000 people. In early 1995, the decision was made that an enhanced voluntary separation plan would be offered to help minimize the involuntary separations. As a result, the tuition assistance program faced yet another major change. The benefit was increased to \$10,000, and the assistance would be available for up to 5 years. The enhanced benefit again proved a major success with nearly half of the separations coming through a voluntary basis. In addition, the utilization number increased to nearly 50 percent by those eligible.

In 1995, additional support was provided through a coordinated program offered by the University of Nevada Las Vegas (UNLV) and the Community College of Southern Nevada (CCSN). Both colleges established retraining programs targeted at the separated contractor employees. In addition, DOE-NV authorized the contractors to provide tuition assistance to employees who had been provided a separation notice but were still on the roll. This enabled these individuals to start classes toward a new career immediately upon receipt of a separation notice.

Bechtel Nevada (BN) assumed the prime contract for DOE-NV in 1996. In the past 5 years, several unaddressed issues developed including: is everyone eligible for the program regardless of the time employed with the contractor, does employment with a new employer disqualify the benefit; and what amount and duration of availability would best benefit the separated employee? DOE-NV and BN made several adjustments to the program in an attempt to address these questions with and without success. With BN's assumption of the program, new parameters were established, and a tighter restriction was put in place to ensure the proper use of the program by all participants.

Over the past 2 years, this program has been reviewed extensively by the Inspector General (IG). Despite several problems identified by the IG, and the numerous administrative adjustments over the past 5 years, the IG has in fact found that the program has met its written targets.

Since 1993, over 1,000 separated employees have utilized the DOE benefit and 100s have utilized the state benefits. These programs have helped individuals enhance their careers by providing assistance to pursue associate degrees at the community college, and undergraduate and graduate degrees at UNLV and other universities. Individuals have also used the assistance to change careers through: truck driver school, real estate school, bartender school, CPA courses, health physics courses, and court reporting school, among others. Despite the administrative difficulties, the program has been successful in its goal to provide assistance for separated individuals to reenter the job market.

Example: Hanford Site [Contact: Sean Stockard; (p) 509-735-1000, (f) 509-735-6609]

The Hazardous Materials Management and Emergency Response and Education Center (HAMMER), located on the Hanford Site, is a one-of-a-kind worker safety training facility featuring an extensive line of hands-on training that provides a realistic hazardous environment. HAMMER is owned by the DOE, managed by Fluor Hanford and configured to serve clients throughout the Hanford site, the Nation, and the world. HAMMER began as a community effort and grew into a diverse partnership. It includes DOE, DOE contractors, other Federal Agencies, state and tribal governments, labor unions, the Hanford Atomic Metal Trades Council, Central Washington Building Trades, academic institutions, industry, the private sector, local governments, professional associations, and the Tri-Cities Industrial Development Council.

HAMMER and its partners seek to host, broker, and provide training--involving the hands-on use of realistic props and settings--in order to save lives, reduce injuries, and increase worker productivity. HAMMER serves as a catalyst for a regional training industry. For approximately 40 years, Hanford produced materials for nuclear weapons. Today it is the scene of the Nation's largest most challenging environmental cleanup. HAMMER prepares workers to meet that challenge.

HAMMER's customers are students, providers, or sponsors of training. HAMMER provides the hands-on learning facility; user organizations provide their own instructors and programs or contract with HAMMER to acquire those services from the open market. Current HAMMER clients include DOE, Hanford site cleanup workers, other Federal Agencies, international labor unions, state, local and tribal governments, and private industry.

Training opportunities at HAMMER are focused on several areas, including: emergency operations, environmental and waste management, fire operations, law enforcement, occupational safety and health, technology, technology-supported learning, and transportation.

7.2 Outplacement

Example: Idaho Site [Contact: Dave Clark; (p) 208-526-6591, (f) 208-526-5969]

The Lockheed Martin Idaho Technology Company (LMITCO) Outplacement Center (the Center) was established in April 1995 with a defined mission to provide a wide array of job search and career assessment programs that prepare clients to market themselves. The Center was established at an off-site facility with easy access and parking, and all displaced workers were advised of the Center's services. The Center was staffed by three full-time counselors, including one Idaho Department of Employment Job Service representative, providing clients individualized assistance in their job search. An Education Tuition Assistance Administrator, appointed from the INEEL Institute, was also stationed at the Center on a part-time basis.

The Center provided eight complete individual workstations including computers equipped with a variety of word processing capabilities, resume software, Internet access, and phones equipped with FTS access. Staff assisted in the operation of these programs. As an added feature, the Idaho Department of Employment made available the Career Information System which is a self-assessment, employer research program designed to assist clients in determining their skills and matching them to available positions within the state.

The Center provides a library that serves as a research tool in the areas of both personal assessment and career exploration. Recent publications pertaining to the topics of managing change, interviewing techniques, and resume writing are samples of the literature available. In addition, newspapers, government and industry-related journals, and reference books relative to the current job market are available. A monthly newsletter, "The Search," informs clients of Center resources and activities.

The Center staff made a number of informational presentations covering topics of interest such as managing change, negotiating an offer, resume preparation, and interviewing

techniques. Outside experts presented full-day skill assessment and financial education programs. A resume booklet updated periodically was assembled and distributed to various local and regional employers, as appropriate.

The utilization of the Center continued to decline the farther away from the separation date; therefore, the Center was relocated from an offsite location to one inside the facility where the LMITCO Human Resource Department is located. The move was made to accommodate the reduced utilization of the Center and to use the staff in other human resource functions during less active times. The Center hours were also reduced.

Because of the reduction in clientele, three of the eight workstations have been eliminated, presentations are being made only as needed, and the resume book is updated less frequently. All other services are still available. Further reduction in the level of services provided is expected in FY 2000, as the client base continues to dwindle.

Example: Savannah River Site [Contact: Sandi Pike; (p) 803-725-5904, (f) 803-726-7631]

In 1993, consistent with the re-employment provision of section 3161 of the National Defense Authorization Act, DOE Savannah River Operations Office (DOE-SR) leased an offsite facility and established an Outplacement Center (the Center) under Westinghouse Savannah River Corporation's (WSRC) management. The decision to lease an offsite building was driven by the need for a very large facility and for security reasons.

Initially, the Center was staffed by WSRC Human Resources employees. However, when it became evident that reductions-in-force at the Savannah River Site (SRS) could well encompass a span of several years and could also include reductions in the WSRC Human Resources Organization which staffed the Center, the decision was made to subcontract the outplacement services. A nationally-recognized employment firm that specialized in outplacement and employee transition was subcontracted with very favorable results. The firm was very professional and proactively managed the Center with oversight from WSRC. The Center was well equipped (including phone banks, computers, fax and copier machines, etc.) to provide a full range of services such as assistance with resume writing, individual counseling, workshops, job leads, access to the DOE Job Opportunity Bulletin Board System (JOBBS) database, etc. The emphasis from DOE and most others tended to be on helping displaced workers find new employment. However, the Center actually assisted each eligible user in identifying and reaching whatever transition goals the displaced worker had, whether it was other employment, academic pursuit, retirement, entrepreneurial activity, community service, or concentration on some other personal endeavor.

For tracking and statistical purposes, a proximity badge or "flash pass" with a magnetic strip was issued to each Center user for entry into the Center. The "flash pass" entry

system provided an automated tracking system that would document who entered the Center on any given day and for how long. The system would also tally the number of users during any given time period which provided a good means for monitoring use of the Center on an as-needed basis. The ability to readily monitor usage was excellent for report purposes and to make timely decisions regarding the level of staffing/resources needed to operate the Center during peak and valley periods.

In May 1998, based on continuous monitoring of usage and cost versus level of resources, it was determined that a smaller facility was more appropriate. Further, since the emotional volatility that often accompanies reductions-in-force had waned, the Center was moved onsite. The smaller onsite facility was adequate for the very low volume of usage at a significantly reduced cost. In October 1998, after considerable collaborative efforts, WSRC reached agreement with the State of South Carolina wherein the state would fund and provide facilities and personnel at a local community college to service the transitional needs of SRS employees affected by downsizing. WSRC still continues, however, to maintain a local preference-in-hire database and continues to input the resumes of eligible separated employees into the DOE's JOBBS database. All other outplacement services have been transitioned to the state.

During the 5-year period the SRS Outplacement Center was open for business, approximately 35,000 job leads were generated and made available to separated employees using the Center. By October 1998, only 15 displaced workers were still using the Center. Eleven of the 15 had found new employment at one point but returned to the Center for assistance in seeking another job, and only four who had separated in 1997 were still seeking new employment.

Lessons Learned

- Keeping the transition criteria broad (e.g., focusing on more than just a "new job" for separated employees) was a good design concept for outplacement services. Statistics reveal that for FY 1995, FY 1996 and FY 1997 only 46 percent of the separated employees transitioned to new employment. The remaining 54 percent were: self-employed (4 percent); followed academic pursuits (6 percent); relocated (13 percent); did not seek another job or retired (13 percent); declined Outplacement Center services (17 percent); or still sought employment (1 percent).
- Requiring Center users to "swipe" their flash pass proximity badge upon entry of the Center was invaluable as this system provided timely data for assessing the number and type of separated employees using the Center, their interests and needs, and a wide variety of other information. This data quantified what types of services were needed most, and least, so that resources could be quickly adjusted accordingly.

- The use of a professional outplacement firm greatly enhanced the level of services provided to displaced workers. Also, having an "outside party," versus personnel from the former employer assisting displaced workers, was favorably received and may have avoided embarrassment and possibly friction that could have diminished the success of the Center.

Example: Oak Ridge Site [Contact: William Truex; (p) 865-576-0662, (f) 865-576-6964]

The Oak Ridge Career Center (the Center) is operated via a teaming concept. Lockheed Martin Energy Systems (Energy Systems) manages the facility, but it does so with the assistance and cooperation of many other groups. An outplacement subcontractor for the U.S. Department of Energy/Office of Worker and Community Transition (DOE-WT), provides job counselors and a job-lead developer. The number of people they supplied to the local Center varies with the number of people receiving separation notices in the local area. These counselors are provided to the Center at no cost to the local budget and assist in orientation, teach workshops, and meet one-on-one with clients for resume preparation and for general job-search counseling.

In addition to Energy Systems and the outplacement subcontractor staff at the Center, other groups have staff located there periodically to support operations. The local Work Force Network maintains an office at the Center and an employee of the Work Force Network (State of Tennessee) works there 2 days a week to process applications for educational assistance programs funded with state and federal funds. The local labor union maintains an office in the Center when union members are separated, providing support for their members.

The Center also works in partnership with the Tennessee Department of Employment Security (TDES). The Center hosts the TDES shortly after layoff notices are distributed to present an information session about unemployment benefits, and after employees are separated to sign separated workers up for unemployment compensation. This makes it easy for separated employees to know where and when to go for initial registration and provides the TDES with a location for handling a large number of enrollees.

Various companies, as well as other DOE installations, are welcomed into the Center to conduct interviews with separated employees. The Center makes space available to them at no charge. The Center also works closely with the local Chamber of Commerce and with private reindustrialization efforts, sharing information about worker availability which might support the decision by a company to move to the area.

The Center is located outside the fences of the DOE contractor facilities, allowing former workers free access to the facilities without having to attend to security issues. The percentage of separated workers using the Center increased greatly after it moved offsite.

The Center maintains a site on the World Wide Web (<http://www.ornl.gov/career>) which contains information about the Center and its services; a schedule of seminars and workshops being offered; forms needed during the RIF process, such as those needed for termination, for indicating section 3161 eligibility, and application for section 3161 educational assistance; information about section 3161 educational assistance; the current local DOE Work Force Restructuring Plan; and links to other WWW sites such as newspaper employment classifieds, DOE's JOBS database, job search sites (such as the Monster Board, etc.), DOE-WT. Also listed on the website are resumes of all affected employees who give their permission to be included.

The Center hosts several workshops for affected employees and former employees including, but not limited to, an orientation about services and general work force restructuring issues, a 2-day Job Search Workshop covering all aspects of job hunting, and an Entrepreneurial Workshop for those who have an interest in beginning their own business, which is followed up with smaller workshops using local business leaders who are successful entrepreneurs.

Lessons Learned

- Communicate...Communicate...Communicate. An effort needs to be made to inform everyone in the company (whether affected by downsizing/restructuring, or not) about the availability and services of the Center. Regular articles should be published about the Center, its existence, and its services.
- A mandatory training session should be held for those who pass out layoff notices. This session should be within a week of the time notices are issued. Procedures should be addressed as well as "dos" and "don'ts." Other topics to cover include anticipated reactions of people receiving RIF notices.
- A *thorough* orientation should be given 2-4 days after RIF notices are issued.
- Don't expect to satisfy everyone using outplacement assistance--after all, people are losing their jobs!
- Allow people to vent their anger at the company without encouragement or comment. Anger is a natural process that affected employees need to work through.

- Use the DOE's JOBBS database. Enter all resumes into the database. Have one person on the staff who handles all JOBBS transactions.
- Have an aggressive job-lead developer who will make contacts and build relationships with local companies and find unadvertised jobs in the local area. After all, many folks do not want to move.
- Don't promise jobs to your laid-off workers. It creates unrealistic expectations.
- Name a staff person to be a contact point for new companies coming to town. Work closely with the local Community Reuse Committee to find new jobs in the area.
- Make sure that company benefits administration personnel are available to answer questions.
- Locate your outplacement center "outside the fences."
- Have some good listeners on your staff. Especially listen to the comments that clients make about the Center. Evaluate and incorporate their suggestions into the Center's operations. Have a Center that is flexible and continuously improving.

Example: Hanford Site [Contact: Carol Byrd; (p) 509-372-1535, (f) 509-372-5378]

Between October 1994 and September 1995, Westinghouse Hanford managed the largest, 1-year staff reduction in 40 years. The TriCities needed to establish a resource to mitigate the impacts that ongoing, large-scale separations would have on the community. The Hanford Site Work Force Restructuring Plan directed the Hanford site's principal contractors to provide outplacement assistance for employees who were involuntarily separated and those who had been approved for the special voluntary reduction-in-force. This service was to extend for a period of 1 year from the date the employee exited the company or until they became gainfully employed, whichever came first. In addition, the contractors were encouraged to use community agencies such as Washington State Employment Security and the Private Industry Council, whenever practical.

The contractors considered several means for complying with the work force restructuring plan. In April 1995, Hanford partnered with the Benton-Franklin Private Industry Council, Washington State Employment Security and Columbia Basin College (CBC) to establish the Reemployment Opportunity Center (ROC) in order to mitigate the social and economic impacts of work force restructuring on employees and the community. Later that year, Washington Public Power Supply System and the local United Way joined the ROC partners. During the first year of operation, the ROC served more than 2,000 clients who made more than 20,000 visits.

The integration of work, along with the cooperation of each of the partners, created a unique blend of talents and cost-effective services.

- Services were integrated, not duplicated, so operating costs and staffing were maintained as low as possible.
- The ROC complied with the requirements outlined in the Hanford Work Force Restructuring Plan.
- Our continued commitment resulted in very positive press for the contractors and DOE Richland Operations Office during a very difficult time.
- The ROC attracted the attention of employers nationwide, resulting in thousands of job postings not available anywhere else in the TriCities.
- Employees found work, started their own businesses, and completed training and education.
- CBC developed accelerated courses to reduce the skill gaps some of our employees were facing. These courses included *Microsoft Office*, the latest release of AutoCAD, and Transitions.
- To keep costs down, the ROC capitalized on the least-costly service available through any of the partners. Some examples included, but were not limited to:
 - Use of the Washington State's Scan System for long distance calls and faxes, costing the Hanford contractors less than a penny a minute, far less than commercial rates.
 - Initial assignment of 25 excessed site computers, along with those supplied by CBC and the Washington Public Power Supply System, provided more than 75 computers for clients, again, far less than purchasing or leasing them.

Lessons Learned

- Co-locating and combining the state, federal and company resources reduce costs and reduce the likelihood of duplicate services being extended to clients under various programs. It also increases the likelihood that gaps in services and resources will be identified and eliminated.
- The ROC operated without a Director and was managed by representatives of the partnership. Each partner had a program to manage and had management to report to. A Director would have served no purpose, been an unnecessary expense, and had very little

influence over the different partners. The partners met weekly and "as needed" to resolve issues, share lessons learned, and identify needs. When things got tough, we reminded ourselves of our common mission ... to provide the resources for clients to find work.

- It was and is critical that Outplacement staff NOT find people jobs, but rather force the clients to be resourceful in finding their own jobs. It became apparent early on that our clients wanted us to "do the work for them." This would probably not be the last time they would be affected by downsizing and developing the skills and locating the resources necessary to survive a layoff would be essential.
- DO NOT establish goals that measure success by the numbers of clients finding work (accepting job offers). Although Outplacement staff can encourage and sometimes influence, they have no control over the actual job decisions people make.

7.3 Construction Worker Benefits

***Example: Savannah River Site** (This example also incorporates aspects of preference-in-hiring efforts.) [Contact: Sandi Pike; (p) 803-725-5904, (f) 803-726-7631]*

On September 30, 1992, the Savannah River Site (SRS) employed approximately 2,478 construction craft workers. By October 31, 1998, this number had been reduced to approximately 776. The precipitous drop in the number of construction workers employed at SRS was the result of normal project completions, project completions exaggerated by some project interruptions or stoppages, and multiple years of reduced site budgets.

The first of the SRS work force restructurings, or downsizings, was announced in early 1993. However, since construction craft workers were considered intermittent workers, they were not covered in the FY 1993 SRS Work force Restructuring Plan, nor were they invited to participate in work force restructuring planning. Initially, the ongoing release of construction crafts was to be part of the normal ebb and flow ordinarily associated with construction work. It was realized, however, that if deeper cuts in the construction craft work force over and above the previously planned reductions became necessary, eligible construction workers should be afforded separation benefits. Therefore, construction craft workers who would be separated because of work force downsizing and who met "continuous employment" criteria as now described in the Job Attachment Test were offered separation benefits. As a result, of the 301 construction craft workers separated during FY 1993, 205 were retroactively afforded separation benefits consistent with the Department's guidelines.

In FY 1995, SRS was again required to downsize its work force. However, in contrast to the FY 1993 work force restructuring, from the outset construction craft workers were included as an integral part of the FY 1995 SRS Work Force Restructuring Plan. Those

construction workers who were involuntarily separated and who met the requirements of the DOE Job Attachment Test, received the special one-time benefit equal to 6 weeks' pay, educational assistance, relocation assistance, and the preference-in-hiring benefit.

In February 1996, DOE imposed a moratorium on all involuntary work force separations for the remainder of the calendar year. To meet the intent of this directive, an agreement among DOE, the contractors, and the building trades was reached in which the total number of craft workers could not be reduced below an agreed-upon threshold, but the ebb and flow process could continue to assure proper skills mix for accomplishing needed project work. Eligible construction craft workers laid off as a result of the ebb and flow process were provided the same intermittent construction separation benefits as offered in previous years.

Required downsizing at the SRS during FY 1997 was accomplished solely through the means of involuntary separations, although substitutions were allowed in the construction craft trades as were allowed for other prime contractor employees. Eligible construction craft employees were afforded the one-time separation benefits consistent with DOE guidelines. The most significant circumstance with regard to construction crafts in the FY 1997 reductions-in-force was the differences in interpretation of the applicability of the WARN Act to "intermittent/temporary" construction workers. Due to the ebb and flow nature of their work, WSRC considered craft workers to be intermittent/temporary workers that would not be covered by the WARN Act. However, due to the lack of project specificity and the omission of an estimated termination date at the time of hire, and to continue a positive labor relations environment, DOE decided to provide the construction craft workers with a 60-day "WARN-like" notice.

Although no downsizing initiative was in place for FY 1998, eligible construction craft workers continued to be afforded section 3161 enhanced separation benefits for normal construction project ebb and flow. At this time, it appears construction crafts will continue to receive the enhanced benefits indefinitely unless otherwise directed by DOE.

Lessons Learned

- The inclusion of construction craft employees in the initial planning and communications of work force reductions would have alleviated many of the concerns generated. Although eligible construction craft workers were afforded separation benefits retroactively, the delayed inclusion of construction workers under the umbrella of section 3161 caused considerable contention.
- Allowing the involuntary separation substitution program for the construction craft workers improved labor relations at no additional expense to the government.

- Had a special arrangement and agreement on construction thresholds not been reached concerning the 1996 moratorium on layoffs, project work could have been severely impacted while wages were being paid to workers whose skills were not needed at that particular time. This would have further diminished budget resources for project completion once the moratorium was lifted.
- Sunsets need to be established at the onset of unconventional benefit practices to avoid entitlements that may outlive the original intent and purpose.
- The preference-in-hiring benefit remains an area that needs clear definition. The draft SRS preference-in-hiring policy is expected to clarify the responsibilities and parameters of this benefit once finalized.
- There was not full agreement among DOE, WSRC, and Bechtel Savannah River (BSRI) regarding 60-day notices for construction workers in a substantial layoff. WSRC and BSRI have not decided to change the way construction craft workers are hired and used onsite; therefore, 60-day notices for construction craft workers may likely be required in the future if there is a substantial layoff.

7.4 Preference-in-Hiring

Example: Savannah River Site [Contact: Sandi Pike; (p) 803-725-5904, (f) 803-726-7631]

As Westinghouse Savannah River Corporation (WSRC) began more hiring in FY 1998, it became apparent that the DOE Savannah River (DOE-SR) and WSRC had considerably different interpretations of the preference-in-hiring requirement. In addition, union representatives had issues with their perception of the way in which preference-in-hiring was administered. In October 1998, DOE-SR and DOE Headquarters (DOE-HQ) met with WSRC and with selected union representatives to discuss the development of a local preference-in-hiring procedure and a possible “open season” for eligible former SRS employees to apply for the preference-in-hiring benefit. A draft preference-in-hiring procedure based on comments from these meetings was sent to all union representatives and contractors for comment the following month. After reviewing these stakeholder comments, an interim procedure was issued in March 1999, and was finalized in August 1999 with minor revisions. The preference-in-hiring benefit is now better clarified and accepted by all parties concerned. In addition, it includes a requirement to provide quarterly reports of contractor and eligible subcontractor hires to DOE-SR, identifying if the new hire was a recall, transfer, preference-in-hiring, or other, and an explanation for all non-preference-in-hiring selections.

To assure compliance at all levels, WSRC has held meetings with site hiring managers to explain the new procedure and the reporting requirements, and has forwarded the new

procedure and reporting requirements to their subcontractors that are subject to the preference-in-hiring provision. This increased emphasis on preference-in-hiring is expected to highlight to contractors and subcontractors the DOE-SR's expectation for them to hire qualified preference-in-hiring candidates whenever possible when filling open positions in their work forces.

Concurrent with the development of the local preference-in-hiring procedure, a preference-in-hiring "open season" was held, as many of the construction craft workers had never applied for the preference-in-hiring benefit. The increased emphasis on preference-in-hiring, through the "open season" and the new local procedure and reporting requirements, have already borne some positive results as seven preference-in-hiring eligible candidates were "rehired" by WSRC and 35 were hired by WSRC subcontractors during FY 1999. In addition, the preference-in-hiring "open season" and the implementation of the local procedure have had a positive impact on stakeholder relations, specifically former employees and representatives of local labor unions.

Example: Los Alamos National Laboratory (This example incorporates aspects of tuition reimbursements and education.) [Contact: Frank Sanchez; (p) 505-845-4864, (f) 505-845-4715]

In July 1996, the Los Alamos National Laboratory (LANL) changed the preference-in-hiring program as a result of Departmental recommendations. Two primary themes of the enhanced preference-in-hiring program included improving communications with displaced workers and giving hiring preferences to a displaced worker who is qualified for the job over an external candidate unless the hiring official can document a clear rationale for passing over the former employee. LANL senior management dedicated a full-time staffing professional to serve as an advocate for former employees pertaining to their re-employment.

By 1999, LANL had rehired 93 of the 199 employees involuntarily terminated in FY 1995, and 91 of the 199 employees involuntarily terminated are not seeking employment with LANL. In effect, LANL will have rehired nearly 90 percent of the former employees who involuntarily terminated in FY 1995 and were interested in returning to work at LANL. Laboratory contractors that presently perform work at the Los Alamos site also hired four former employees separated in the fall 1995 reduction-in-force. In addition, LANL placed another seven eligible former employees terminated from previous reductions-in-force through the enhanced preferential hiring program either with LANL or its subcontractors.

Key components of the LANL rehire program are as follows:

- The University of California (UC) has extended preference-in-hiring benefits to former LANL employees for UC employment as long as they recertify their eligibility and interest on an annual basis.
- LANL has made accommodations to provide training to rehired employees within 3 months from the date of rehire, at no cost to the hiring organization.
- LANL requested and received DOE and UC approval to reinstate vacation and sick leave accrual rates previously held by section 3161 eligible former Laboratory employees when rehired by LANL.
- LANL provides funding and support to the University of New Mexico/Los Alamos Career Center. Former employees are encouraged to use the support and services at the University Career Center, community colleges and Laboratory outreach centers.
- LANL continues to provide Tuition Reimbursement Program support of \$10,000 through November 2001 for involuntarily separated former employees. Approximately 240 eligible former employees (both the involuntary and voluntary reduction) are using the tuition benefit.

Example: Oak Ridge Site [Contact: William Truex; (p) 865-576-0662, (f) 865-576-6964]

Preference-in-hiring began as a result of legislation mandated by Congress for displaced workers who helped the DOE win the Cold War. The Oak Ridge Operations Office (DOE-ORO) found that some contractors had either ignored the requirement or were not fully implementing it because no guidance other than the initial guidance developed by the Office of Worker and Community Transition (WT) had been issued. Due to the different contractual arrangements in Oak Ridge, the Industrial Personnel Group (IPG) felt a local procedure was needed to clarify the intent, purpose and use of the preference-in-hiring guidance.

DOE-ORO began by meeting with various stakeholders through the Adjustment Assistance Coordinating Council (AACC) held monthly to discuss work force restructuring issues. IPG explained the purpose of the local procedures to be developed and began informally meeting with contractor human resource professionals. This was an intensive effort that took several months to coordinate. The IPG drafted the procedures and asked for comments from several sources to include: employee groups, union and labor representatives, human resource professionals, academia, prime and subcontractor employee focus groups, senior Departmental officials (local and Headquarters) and peers from other DOE sites.

The result of this collaboration was a local DOE-ORO preference-in-hiring procedure. The procedure recognizes the Contractor Interim Guidance, developed by WT, and section 3161. The preference does not supersede other preferences required by applicable law, regulation, Executive Order and collective bargaining agreements.

The procedure is broken down into five major parts: (1) Introduction/Background of Legislation, (2) DOE Responsibilities, (3) Contractor/Subcontractor Responsibilities, (4) Union Responsibilities, and (5) Employee Responsibilities.

After several revisions to the procedure, it was disseminated through the AACC meetings to stakeholders and sent to company Presidents for comments. After a rather lengthy review period, all comments were either incorporated or omitted from the procedure. IPG reviewed each comment and kept a record of all responses. A written explanation of each comment received was noted in the file. A final review took place with DOE local and senior Headquarters Officials before the final procedure was disseminated.

Lesson Learned:

- Remember to be as inclusive as possible. One person or organization cannot think of all the scenarios that may come about due to the implementation of the procedures. Two heads (sometimes more) are better than one.
- Publicize and communicate to displaced employees, contractors, and labor unions the result of the Department's review of comments submitted that will result in a change in procedure and what is and is not acceptable.
- You can't make everyone happy, so be consistent in the application of the procedure. Nothing is written in stone; procedures can be changed.
- Stress the importance of filling out the preference forms at the time of termination and at the recertification. Displaced employees will no longer be automatically recertified.
- The contractor organizations of DOE cannot be police; therefore, develop procedures that will ensure operational awareness BUT do not go overboard.
- Ensure that ALL contractors (with contracts at or above \$500,000) are notified of your expectations and the results of not implementing the procedure.
- Displaced employees MUST be responsible for their own action or inaction.
- Limit exceptions to the policy (AND be consistent).

- Keep records! Some employees will say that they never received the preference form when they want to get a job using the preference and realized they never filled one out.
- Displaced employees often need a sounding board. Many times, it is not about a displaced employee being disgruntled with his/her former employer, it is about someone taking the time to listen and be sympathetic.
- Develop a list of individuals who can certify that the displaced employee was, in fact, involuntarily laid off and not separated due to other reasons.
- Communicate with Headquarters and senior management officials about problems or issues with the denial of the preference that may potentially come back to haunt you.

Communicate, Communicate, Communicate.

8.0 Coordination with Community Transition

The work force restructuring plan should be developed in coordination with, and in support of, the regional development objectives of communities significantly impacted by the Department's downsizing. The local Community Reuse Organization (CRO) should be contacted in the development of the plan to address anticipated economic and social impacts resulting from the Department's actions.

Example: Pinellas Area Office [Contact: TBD]

In August 1993, the Pinellas Community formed a task force consisting of national, state, local, political, business, and special interest organizations who would be impacted by ending the Pinellas Plant mission. The task force developed the Pinellas Plant Future Use Plan proposing activities to develop non-defense uses for the technology and the work force to help mitigate the effects of phasing out the weapons mission at Pinellas. The original stakeholder structure evolved into the present CRO in 1994, and was recognized by the Department on January 1995.

Throughout the closeout process, a team of PAO (administrative arm of the Pinellas Plant CRO), M&O contractor management and an Employee Facility Conversion Team Steering Committee (Steering Committee) met to insure coordination with the work force restructuring effort.

The Steering Committee requested and facilitated responses from the entire M&O work force and provided an assessment of suggestions they thought represented a significant

number of employees. This Committee also helped PAO to evaluate each category of suggestions to develop a final assessment. This input was invaluable to the development of the first approved (May 1994) Work Force Restructuring Plan (WFRP).

A significant feedback to the work force included the publication of responses to each group of questions, as well as responses to suggestions and why each was accepted, modified or not implemented.

PAO, acting for the CRO, solicited and received hundreds of comments and suggestions on the first WFRP and provided an analysis of it. This led to the second edition of the Plan, which was issued in September 1995. Communication was greatly enhanced throughout the closeout process by various methods.

Example: Southern Ohio Diversification Initiatives [Contact: John Haberthy; (p) 740-289-3654, (f) 740-289-4591]

You may ask why all of the parties from labor, management, educators, DOE need to be involved? “Putting People First.” The idea is a partnership among all entities. Intelligent and sound decisions can be made and contributions will be added to the process when many different types of people and agencies come to the table. Remember--the goal is to be proactive vs. reactive. Minimize social and economic impacts and accomplish the mission we are hired to do-- “Putting People First.”

In large, well-educated organizations sharing a corporate goal, education and retraining becomes a part of corporate culture. Management’s first focus is on cost reductions. Head count reductions and layoffs can produce quick bottom line results, generally hiding and disguising the massive inefficiencies that still remain at the management level. Volume achievement and earnings often measure growth. It is seldom known how much of volume and earnings is normal, and how much was due to a better-prepared work force. How can we retain our personnel and what is their path for individual growth? I know management realizes training departments are spending and controlling vast sums of dollars. The training and development of the personnel becomes more evident when top corporate executives eventually sense the genuine opportunity to increase productivity through training and retraining.

Productivity can be measured through many different ways. The corporation can give retraining and training a strong commitment. The corporation can shift the organization and philosophy toward training to new ideas. Also, the corporation can produce a new level of professional talent to be able to be utilized now and into the future secondary skills.

We all recognize budgets and manpower situations when it comes to retraining and training. I feel that corporations can promote professional development and optimize effectiveness, while committing the most cost-effective blend of training resources.

To get opportunities for employees it was important that I get the company to admit that there was going to be a layoff in the future. Secondly, get the company comfortable that employees were not going to bail on them. The company, through a labor/management offsite meeting, pointed out the numbers of employees to be affected by the downsizing in the next 2 years. The point of the exercise was not to throw knives at each other but discuss the situation at hand on that particular time. The company and I knew that there would be efforts to stop the lay offs in another venue but this particular situation and meeting was not the time to address the reason for or against the layoffs. In fact, I really think the company was happy that we were trying to delay or stop the downsizing. In another effort, I spent many hours on Capitol Hill in Washington, D.C., lobbying for additional funds for training and education for the employees. \$840,000 was appropriated through DOE to be given to our officers to use before any downsizing was to be started. Knowing up front, the situation made for a much easier atmosphere in which to work.

There were workers who had no idea what they wanted to go into or stay within a profession they were being separated. I established a relationship with the local vocational schools to have a career profile conducted on those employees who were interested. It took 8 hours to have the profile completed so the profile was done in two 4-hour sessions, making it possible for the employee to work around his/her busy work schedule.

It was also necessary to write letters to each employee about the opportunities for education and training. I would write letters to each personally and send them to their homes as well as post announcements on the bulletin boards.

There was a voucher system set up with the local university personnel and Lockheed Martin. This way, no up front cash would be out of the employee's pocket. The employee would sign an agreement to finish a class and the college would receive their money after the class was completed. No matter what, Lockheed would pay the college its money. Lockheed would get the money from the student if he or she dropped out early.

In 1997, I was able to contact Sinclair College in Dayton, Ohio, and had an agreement set up between Shawnee State University (SSU) and Sinclair to have Lifelong Learning Program established for the workers. There was an established long tradition of working closely with the Criminal Justice Department and what our workers had already received in training. Also the individual's background that they brought to Lockheed Martin was also evaluated. We had Sinclair show up at the plant site to assist the workers due to the

insurmountable amount of overtime. Even though there was a planned downsizing, the security department was working an average of 10 to 20 hours of overtime per employee.

At this particular time, four proposals were given to the company--ACE/PONSI, OPTA, Long Distant Learning Opportunities, and College/University initiatives. I gave each employee a letter explaining the proposals plus I wanted a wish list from each employee. No matter if the employee was going to be laid off or not, I wanted them to give me their wish of what they would like to do in the future. With respect to career and education; if they were not sure, we would provide them the career profile and find weaknesses as well as their strengths. In December 1995, is for we had the offsite with the company to get them comfortable with some of the initiatives and planning ahead together.

Many more initiatives were created for the downsizing as well as new initiatives I have created up to this date. I have brought four communities and universities together to strategize the implications of downsizing and have created and coordinated a career center with many components of services from around the country. Any follow up or questions can be forwarded to John K. Haberthy at 1864 Shyville Road, Piketon, Ohio, 45661. I will answer or assist any agency in creating opportunities for downsizing efforts.

9.0 Performance Measures

The Office of Worker and Community Transition (the Office), in consultation with various stakeholders, has developed a set of performance objectives to determine the effectiveness of work force planning and restructuring activities. These objectives, which are available upon request to the Office, are used to evaluate the effectiveness of these activities.

Example: TBD - Under Development

10.0 Miscellaneous

10.1 Conversion from M&I to M&O Contractor

Example: Oak Ridge Site [Contact: William Truex; (p) 865-576-0662, (f) 865-576-6964]

Prior to the contract change which took effect on April 1, 1998, Environmental Management (EM) work was being performed as one of several major programs for which the Oak Ridge Reservation (ORR) management and operating (M&O) contractors were responsible. The new contract approach removed work from the scope of these two multi-program M&O contractors, and assigned the work to be performed by a

management and integrating (M&I) Contractor. (EM work that the M&O had also been responsible for performing at the United States Enrichment Corporation's Paducah and Portsmouth Plants was also picked up by the new M&I contractor.)

The M&O contractors that remain on the ORR are Lockheed Martin Energy Systems (LMES) at the Y-12 Plant, and Lockheed Martin Energy Research at the Oak Ridge National Laboratory. This change in contracting approach represents a major shift in how work is to be performed, i.e., from a self-performing mode with a modest level of subcontracting activity, to an approach that involves most of the work being performed by subcontractors (several thousand FTEs), with management/integration oversight being performed by a modest sized (400 FTEs) M&I contractor.

The RFP had a number of work force transition requirements to help facilitate a smooth transition of the M&O work force to the M&I and its first and second tier subcontractors. These requirements included a right-of-first-refusal for jobs currently being performed (except for approximately 70 upper management positions), a Multiple Employer Pension Plan and related retiree medical plan, substantially-equivalent pay and benefits, continuation of positive labor-management relations in both operating and construction union arenas, maintaining work force diversity, and retention of existing severance pay benefit if ever terminated (other than for cause).

Five proposals were evaluated, and the Bechtel Jacobs Company LLC (BJC) was awarded the contract in December 1997. The majority (1400) of the direct and indirect EM work force at LMES were transferred to BJC's payroll on April 1, 1998, to join their core team. BJC continued to purchase approximately 500 FTEs from LMES and over 1,000 from LMER who were performing EM work for which BJC was now responsible. During a 20-month transition period which began on April 1, 1998, BJC pared its employment rolls down to a core M&I organization of approximately 400 FTEs (the majority of which will be former Lockheed Martin employees) and transition the rest of the EM work force that has the necessary skills to its subcontractors. Those "grandfathered EM employees" who are not able to transition directly from LMES, LMER, or BJC to its first and second tier subcontractors will be terminated and receive severance pay. They will receive outplacement assistance and be given "preference-in-hiring" consistent with the Oak Ridge Work Force Restructuring Plan. Part of BJC's contract is to also create a cumulative private sector payroll of over \$400 million over the 5.5-year contract period to help mitigate declining federal sector jobs.

Lessons Learned

- Allow for and consider stakeholder input via issuance of a draft RFP.

- Assure thorough understanding by Headquarters of the major issues, and try and keep the focus on operational issues and not politics.
- Be clear about "what" DOE expectations are, but provide proposers with as much flexibility as possible regarding "how" to meet them.
- Have the Industrial Relations Specialist serving as an Advisor to the SEB attend the orals.
- Realize that significant Industrial Relations management and staff time will be required in the process of developing, evaluating, and negotiating these changes.

10.2 Retain, Recruit, Return

One clear concern of the Department in the coming years is the ability to retain the technical skills and capabilities necessary to meet its current and future missions. Recognizing the need to focus on this concern, the Congress, in the National Defense Authorization Act for Fiscal Year 2000, required the Department (in conjunction with the Department of Defense) to address this issue directly. The Department is in the process of responding to that Congressional requirement, and has established metrics to track critical nuclear skills generation, retention and regeneration at its contractor sites and within its federal work force. A number of specific initiatives for retaining, recruiting, and returning the necessary work force, including the specific contacts, are noted below.

Example: Multiple Sites

Retaining

At the Nevada Site, Bechtel Nevada's (BN) Jobs Posting Program allows employees of all three partnering contractors the opportunity to bid on job openings within BN. This allows employees career opportunities across the three companies and reduces the need to look for career growth exclusively within the employees' parent organization [*Contact: Mike Kimberlain; (p) 702-295-0323, (f) 702-295-2448*].

At Sandia National Laboratory, a number of programs have been instituted to retain key employees, including: 1) a Total Awards Strategy for issuing spot awards, royalty sharing, team awards, merchandise awards, retention bonuses, etc. [*Contact: Karen Gillings; (p) 505-844-2766, (f) 505-844-4222*]; 2) a focus on facilitating internal movements by asking all employees to complete a work history on the internal resume database [*Contact: BJ Jones; (p) 505-845-0096, (f) 505-845-0098*]; 3) alternative work schedules including part

time, flex time, job sharing, extended work weeks, etc. [*Contact: Becky Statler; (p) 505-844-2739, (f) 505-844-0662*]; and 4) various mentoring programs, both technical and social [*Contact: Andy Rogulich; (p) 505-844-9677, (f) 505-844-7982*]

Recruiting

At Sandia National Laboratory, several of the initiatives designed to support the recruitment of the necessary skills and abilities included: 1) high school student employment, targeting 16 to 19-year olds who may want to work at the Lab up to 25 hours per week during the school year and 40 hours per week during the summer [*Contact: Sharon Ortiz; (p) 505-284-3558, (f) 505-284-5950*]; 2) Defense Programs-funded education programs that specifically target critical hiring needs supporting the Lab's missions [*Contact: Karen Scott; (p) 925-294-3760, (f) 925-294-1526*]; and 3) the Mutual Education of Skilled Technologists (MEST) program, comprised of Sandia's Manufacturing Technologies Center, the Metal Trades Council Union, the Student Internship Program, Albuquerque Technical Vocational Institute and the Albuquerque Public Schools, and aimed at training employees in the mechanical, electrical and machining areas [*Contact: Phil Gallegos; (p) 505-844-2445, (f) 505-844-7555*].

Returning

At Sandia National Laboratory, a Retiree Corp has been established which utilizes 350 key retirees in the Nuclear Weapons Program. These individuals can work for no-fee for a fee up to 800 hours per year. They are involved in weapons knowledge preservation, mentoring, teaching, advising or problem solving. They can also be a resource for maintaining a weapon engineering "surge capacity" should a major weapons rebuild become necessary [*Contact: Jim Caruthers; (p) 505-844-6415, (f) 505-844-5172*].

At the Nevada Test Site, BN has also developed a Retiree Corp to retain contact with key retirees who were involved in weapons testing at the Test Site. As valuable resources, retirees are also called upon on a casual employee basis to be Test Site tour guides and to provide expertise during exercises and events as needed [*Contact: Patti Goin; (p) 702-295-2294, (f) 702-295-2448*].

.....

Note: Appendices A-D below present aggregate data on various aspects of work force restructuring activities undertaken in the private sector, Department of Defense contractor, federal military, and federal civilian employment groups, respectively. Citations for the data presented are included.

APPENDIX A

Work Force Restructuring: Private Sector Employees

Overview

A March 1995 General Accounting Office (GAO) report summarizes the experience of non-federal employers as follows:

“The organizations said they generally found that attrition and hiring freezes, while useful tools, were not always effective ways to achieve significant short-term reductions in the workforce. Thus, most of the organizations used monetary incentives to encourage ‘at risk’ employees to resign or retire if they could not be redeployed to other jobs. Many offered separation incentives more generous than the incentives included in the Federal Government’s ‘buyout’ legislation, including, retirement without penalties, credit of additional years of service in retirement benefit determinations, and lump-sum severance payments of up to a year’s salary. However, the organizations that had downsized several times over the years tended to reduce the separation incentives offered in successive downsizings. The organizations generally resorted to involuntary separations only after other tools such as attrition, hiring freezes, re-deployments, and separation incentive programs did not achieve their employment reduction goals. Where possible, involuntary separations were managed by using various criteria to target specifically those parts of the workforce that were in keeping with the efficiency, profitability, span of control, or other restructuring goals of the organizations.

“A concern GAO found among the organizations was the need to assist employees - both those at risk of losing their jobs and those who were ultimately retained - in coping with the personal disruptions caused by workforce reductions. The organizations found that frequent and open communications with their employees on all aspects of the downsizing were essential, along with programs to help affected employees through counseling, outplacement assistance, and retraining.”¹

Enhanced Retirement Benefits

The same March 1995, GAO report found that “Seventeen of the (25 surveyed private sector) organizations offered early retirement programs that allowed employees to retire before their

¹ *Workforce Reductions, Downsizing Strategies Used in Selected Organizations*, (GAO/GGD-95-54, March 13, 1995), p. 5.

normal retirement age. At least 10 organizations offered a variety of incentives to encourage employees to take early retirement.”²

One example from the earlier GAO study states: "A company's regular retirement plan required a combination of age and years of service totaling 85 for eligibility. For employees who agreed to retire early during the downsizing, full annuity benefits were available for age and service totaling 75 years. In addition, all retirees received two weeks' severance pay for every year of employment, up to a maximum of one year's salary; bridge payments until social security eligibility at age 62; a \$5,000 retraining allowance; and health and life insurance benefits for life.”³

An Actuarial Sciences Associates study of 60 entities' mid-1990s downsizing practices found that 23 firms offered early retirement incentives.⁴

Involuntary Separation Benefits

A study by Lee Hecht Harrison, a prominent outplacement firm, found: “82 percent of responding organizations currently have a severance policy or practice. ... Employees are most often eligible for severance after a downsizing (95 percent) or job elimination (94 percent). Years of service are the most common factor used in determining severance for employees at all levels (a factor for 81 percent of executives, 89 percent of exempts, and 83 percent of non-exempts) At organizations where severance is based on years of service only (which is the case for approximately half of the respondents), one week's pay per year of service is the most common formula.”⁵ The data contained in the study indicates that between 25-30 percent of those who use service as the sole factor provides 2-weeks' pay per year.

Other Benefits

The same March 1995, the Government Accounting Office (GAO) report found that 21 (of 25 organizations) provided employee and family counseling, job placement services, relocation assistance, and training for other careers. GAO also reported that firms found it important to

² *Workforce Reductions, Downsizing Strategies Used in Selected Organizations*, (GAO/GGD-95-54, March 13, 1995), p. 27.

³ *Workforce Reductions, Downsizing Strategies Used in Selected Organizations*, (GAO/GGD-95-54, March 13, 1995), p. 29.

⁴ *Downsizing Law and Practice*, The Bureau of National Affairs, Inc., 1996, pp. 860-867.

⁵ Lee Hecht Harrison, "Severance - A Benchmark Study," reprinted in *Downsizing Law and Practice*, The Bureau of National Affairs, Inc., 1995, pp. 874-875.

“address the morale and productivity of ‘survivors’ of downsizing by helping them deal with concerns brought about by the workplace changes.”⁶

⁶ *Workforce Reductions, Downsizing Strategies Used in Selected Organizations*, (GAO/GGD-95-54, March 13, 1995), p. 8.

APPENDIX B

Work Force Restructuring: Department of Defense Contractors

Overview

The Department of Defense (DOD) provides reimbursement for work force restructuring costs in cases not involving merger or company acquisition under guidelines included in the Defense Federal Acquisition Regulations (DFAR Part 3 1) and Defense Federal Acquisition Regulations (DFAR Part 23 1). In contrast to the Department of Energy, no overall costs are tracked for these allowable costs.⁷

In FY 1993, DOD developed regulations related to reimbursement of work force restructuring costs associated with company merger or acquisition pursuant to section 818 of the National Defense Authorization Act for Fiscal Year 1995 and section 8115 of the Department of Defense Appropriations Act for Fiscal Year 1997. The regulations clearly allow a wide range of restructuring benefits: “Restructuring costs are the costs normally associated with downsizing, such as severance pay for terminated employees, early retirement incentives, employee retraining and outplacement services, relocation expenses for retained employees...”⁸

Enhanced Retirement Benefits

In a 1998 study, Booz-Allen & Hamilton reported that Boeing offered an early retirement program in 1995 at an average cost of \$63,000 per worker, and that Grumman offered an early retirement program in 1993 at an average cost of \$90,000 per worker.⁹ Actuarial Sciences Associates Inc. studied the mid-1990s downsizing practices of approximately 60 entities, including four defense firms. All four defense firms offered early retirement incentives.¹⁰

⁷ Phone conversation with Mr. Ted Godlewski, Office of Under Secretary of Defense (Acquisition and Technology), Defense Procurement Cost, Pricing, and Finance.

⁸ Fact sheet prepared by Mr. Ted Godlewski, Office of Under Secretary of Defense (Acquisition and Technology), Defense Procurement Cost, Pricing, and Finance, May 21, 1998.

⁹ *Study of the Effects of the Department of Energy's Work Force Restructuring and Community Transition Plans and Programs*, Booz-Allen & Hamilton, Inc. September 30, 1998, pp. 6-10.

¹⁰ *Downsizing Law and Practice*, The Bureau of National Affairs, Inc., 1996, pp. 861-862.

A 1995 GAO report reviewed restructuring practices of 25 organizations including at least 11 that are major defense contractors (AT&T, DuPont, General Electric, General Motors, Grumman, Hewlett-Packard, Honeywell, IBM, Minnesota Mining and Manufacturing, Motorola and Xerox). The report found: "Seventeen of the organizations offered early retirement programs that allowed employees to retire before their normal retirement age. At least 10 of these organizations offered a variety of incentives to encourage employees to take early retirement."¹¹

Involuntary Separation Benefits

A total of 88 percent of surveyed aerospace and defense industry firms have a severance policy. Severance is based solely on years of service at 45 percent of the organizations (generally one week's pay per year of service), and 75 percent have minimum and/or maximum amounts.¹²

Extended Medical Coverage

A survey by a prominent outplacement firm, Lee Hecht Harrison, found that 62 percent of aerospace and defense firms provided medical benefits continuation.¹³

Relocation Assistance

An April 1998 GAO report on Defense Industry restructuring included \$140.4 million for relocation costs for workers who remained with the new business combination.¹⁴

Outplacement Assistance

¹¹ *Workforce Reductions, Downsizing Strategies Used in Selected Organizations*, (GAO/GGD-95-54, March 13, 1995).

¹² Lee Hecht Harrison, "Severance - A Benchmark Study," reprinted in *Downsizing Law and Practice*, 1995.

¹³ Lee Hecht Harrison, "Severance - A Benchmark Study," reprinted in *Downsizing Law and Practice*, 1995.

¹⁴ *Defense Industry Restructuring, Updated Cost and Savings Information*, General Accounting Office, April 1998.

The Lee Hecht Harrison survey found outplacement assistance was provided by aerospace and defense firms in at least some cases: 58 percent of the time for non-exempt workers, 66 percent of the time for exempt workers, and 80 percent of the time for executives.¹⁵

Other Benefits

In the 1995 report, GAO notes: “Officials of these 21 organizations (of 25 surveyed organizations including 11 that are major defense contractors) said they devised programs to assist employees who lost their jobs during downsizing. The surveyed firms provided, for example, employee and family counseling, job placement services, relocation assistance, and training for other careers. GAO also reported that firms found it important to “address the morale and productivity of the ‘survivors’ of downsizing by helping them deal with concerns brought about by the workplace changes.”¹⁶

¹⁵ Lee Hecht Harrison, "Severance - A Benchmark Study," reprinted in *Downsizing Law and Practice*, 1995.

¹⁶ *Workforce Reductions, Downsizing Strategies Used in Selected Organizations*, (GAO/GGD-95-54, March 13, 1995), p. 8.

APPENDIX C

Work Force Restructuring: Federal Military Employees

Overview

Federal military personnel were offered a wide variety of benefits during the restructuring efforts of the 1990s, including enhanced retirement benefits, incentivized separation benefits, outplacement assistance, and rehiring preference.

Enhanced Retirement Benefits

“Beginning in fiscal year 1992 more flexible Selective Early Retirement Board authority removed some of the statutory restrictions that limited the number of officers who could be considered for early retirement ... The Temporary Early Retirement Authority Program providing for a retirement after 15 years of service was enacted in fiscal year 1993.”¹⁷

“Two separation programs designed to ease service members transition to civilian life will continue in FY 1997. DOD is also programming an additional \$109 million to continue the early retirement program over 2,800 service members will retire in 1997 under the Temporary Early Retirement Authority Since fiscal 1992, nearly 33,000 service members opted for early retirement.”¹⁸

Involuntary Separations

“The fiscal year 1991 authorization act provided for the first time, involuntary separation pay for enlisted members and established programs of separation counseling and employment assistance which brought together the skills and resources of the departments of Defense, Labor, and Veterans Affairs about 138,000 career members will have departed under voluntary authorities by the end of the fiscal year, and less than 2,000 involuntary separations through reductions in

¹⁷ Prepared Statement of Frederick F.Y. Pang, Assistant Secretary of Defense for Force Management Policy, Senate Armed Services Committee, March 16, 1995, www.defenselink.mil/speeches/1995/di1031.html.

¹⁸ Armed Forces Information Service News Article, *Separation, Early Retirement Programs to Continue*, April 1996.

force have been required to date.”¹⁹ Ninety-nine percent of defense military reductions would have included incentivized voluntary separations between FY 1990 and 1995, compared to 44 percent of DOE contractor reductions.

Outplacement Assistance

Contrary to the GAO report, outplacement assistance is widely available to members of the military. “During fiscal year 1994, service members made nearly 725,000 visits to transition offices for pre-separation counseling and employment assistance. Within the United States, the Department of Labor and Veterans Administration also provided employment assistance workshops at 204 selected bases. In fiscal year 1994, more than 163,000 service members and spouses participated in 3,686 workshops.”²⁰

Rehiring Preference

In addition to preference for involuntarily separated employees, all separated service members are eligible for veterans preference with the Federal Government.

¹⁹ Prepared Statement of Frederick F.Y. Pang, Assistant Secretary of Defense for Force Management Policy, Senate Armed Services Committee, March 16, 1995, www.defenselink.mil/speeches/1995/di1031.html.

²⁰ Prepared Statement of Frederick F.Y. Pang, Assistant Secretary of Defense for Force Management Policy, Senate Armed Services Committee, March 16, 1995, www.defenselink.mil/speeches/1995/di1031.html.

APPENDIX D

Work Force Restructuring: Federal Civilian Employees

Overview

Federal civilian personnel are provided a wide range of benefits designed to minimize the need for layoffs and to assist them to move to new assignments or careers. Because the Federal Government is widely dispersed across the country, the ability to utilize reassignment, relocation assistance, and preference-in-hiring is greater than with DOE contractor workers. Federal civilians also have individual career development plans, which include training for potential careers outside the Federal Government, and employment counseling prior to separation, unlike most situations involving DOE contractor employees.

Enhanced Retirement Benefits

Recent legislation provides for this benefit for the federal civilian work force. “On May 1, 1998, the President enacted Public Law 105-174, the Supplemental Appropriations and Rescissions Act, FY 1998. Section 7001 of that Act allows the application of voluntary early retirements under special provisions through September 30, 1999. These temporary provisions affect agency requests, OPM approval, and agency offers of voluntary early retirement as well as several eligibility requirements for early retirement during a major reorganization, major reduction in force, or major transfer of function.”

“The purpose of the program is to provide agencies a tool to help minimize the separation of employees in periods of major downsizing by allowing more employees to qualify for early retirement. Normally, an employee is eligible to retire from Federal service when the employee has at least 30 years of Federal service and is at least age 55, has at least 20 years of Federal service and is at least age 60, or has at least 5 years of Federal service and is at least age 62. During periods of major downsizing or restructuring, the Office of Personnel Management (OPM) may allow agencies to temporarily lower the age and service requirements in order to increase the number of employees who are eligible for retirement, thus encouraging more voluntary separations. Under an early retirement authority, the basic age and service requirements are reduced to 20 years of Federal service at age 50 or 25 years of Federal service, regardless of

age. By offering these short term opportunities, employees can receive an immediate annuity years before they would otherwise be eligible.”²¹

Involuntary Separation Benefit

Federal civilian employees are eligible for both voluntary and involuntary benefits, based on the same general formula with the primary difference being the cap limit. For voluntary separations the cap is \$25,000. The amount of separation benefits available to federal civilians involuntarily separated, however, can total up to one year's salary.

“An employee is eligible to receive severance pay after separation by a RIF, or by adverse action procedures after declining to transfer with his or her function, provided that the employee has not declined to accept a reasonable offer of a position within two actual grades of the employee’s current grade level within the same commuting area Severance pay is computed at the rate of one week’s basic pay for each of the first 10 years of civilian service ... plus two weeks’ basic pay for each year of creditable service over 10 years. An age adjustment allowance of 10% is added each year the employee is over 40 years of age. The total amount of severance pay ... is limited to 1 year’s salary.”²²

Enhanced Medical Coverage

“Employees who are separated or leave the Federal government and are not eligible for an immediate annuity may convert their health insurance to an individual coverage, for which the former employee pays the full cost.”²³ Further, DOD provided additional financial support for medical benefits for civilian employees separated under base closure or defense downsizing actions. “DOD will continue to pay the government’s share of a separated employee’s health insurance premium (and any applicable administrative fee) for up to 18 months from the date the employee was involuntarily separated.”²⁴

²¹ *Agency Guide to Implementing Early Retirement Programs, July 1998*: see www.opm.gov/employ/vera/vera_99.htm.

²² *US Office of Personnel Management Reduction in Force Benefits Guide, 5 CFR Part 351*, summarized at www.usajobs.opm.gov/b6b.htm.

²³ *US Office of Personnel Management Reduction in Force Benefits Guide, 5 CFR Part 351*, summarized at www.usajobs.opm.gov/b6b.htm.

²⁴ *US Department of Defense, Workforce Adjustment Strategies, Coping with the Human Aspects of Base Closure and Defense Industry Downsizing, October 1996*, p. 12.

Relocation Assistance

Relocation assistance may be offered by DOD to private sector firms to cover the costs of hiring DOD civilian employees. Further, the amount available is significantly higher than that typically provided by DOE (for example, in FY 1998, the average relocation expense was \$1,700). “Under [Non-Federal Hiring Incentive Program] DOD reimburses non-federal employers up to \$10,000 for the cost of hiring and retraining DOD civilians....The program also allows the employee to be reimbursed for the cost of relocation, although total payment relating to any one individual’s training and relocation may not exceed \$10,000.”²⁵

Outplacement Assistance

Career management services, including outplacement support, are offered to many federal civilians affected either by restructuring or by simply choosing to use this service to better manage their career decisions. Therefore, employee eligibility is not limited to only those employees facing involuntary separation. One example of career management and outplacement assistance for federal civilians is the Department of Energy’s Washington Area Training and Employee Development Center (formerly the) Career Resource Management Center. “The Center provides comprehensive career development and career transition services designed to assist Department employees and contractors identify their skills, interests, and abilities, enhancing their knowledge base and acquiring new skills, planing for the future, and orchestrating successful moves into new jobs or careers within the Department, other Federal agencies, or the private sector.”

“The Center offers a one-stop-shop for career counseling, career development planning, job search assistance, Internet access, Federal employment application and resume preparation assistance, outplacement assistance, workshops and seminars, a lending library, and more.”²⁶

Rehiring Preference

“Under [the Interagency Career Placement Program], all surplus and displaced employees who work in the Executive Branch agencies are eligible to receive career transition assistance from their agencies. They may also receive special selection priority for positions in their agency within

²⁵ *US Department of Defense, Workforce Adjustment Strategies, Coping with the Human Aspects of Base Closure and Defense Industry Downsizing*, October 1996, pp. 11-12.

²⁶ US DOE Career Management Resource Center promotional brochure and web site, www.hr.doe.gov/pers/cmrc.htm.

the local commuting area for which they apply and are found well qualified. Eligibility begins with the date the RIF notice is received, and extends one year from the date of separation.”²⁷

“The Reemployment Priority List is primarily a post-RIF program administered by individual agencies, that gives separated employees priority consideration over outside applicants for positions filled by their agency.”²⁸

“The primary tool to help surplus DOD civilian personnel find new jobs is the DOD Priority Placement Program (PPP).... The PPP differs from most other placement assistance programs in that, normally, PPP registrants whose qualifications match job requirements must be given a job offer.”²⁹

“Contractors hired to prepare a DOD installation for closure, or to maintain the installation after closure, are required to give hiring preference to qualified DOD employees involuntarily separated or scheduled for separation. The contractor must give eligible, qualified DOD employees a ‘right of first refusal’ before hiring from any other sources.”³⁰

Other Benefits

Selected “other benefits” available to federal civilians during restructuring activities include, but are not limited to:

Life Insurance. “Employees who are separated or leave Federal Government and are not eligible for an immediate annuity may convert all or part of their life insurance to an individual policy without having to take a medical examination.”³¹

²⁷ *US Office of Personnel Management Reduction in Force Benefits Guide*, 5 CFR Part 351, summarized at www.usajobs.opm.gov/b6b.htm.

²⁸ *US Office of Personnel Management Reduction in Force Benefits Guide*, 5 CFR Part 351, summarized at www.usajobs.opm.gov/b6b.htm.

²⁹ *US Department of Defense, Workforce Adjustment Strategies, Coping with the Human Aspects of Base Closure and Defense Industry Downsizing, October 1996*, p. 11.

³⁰ *US Department of Defense, Workforce Adjustment Strategies, Coping with the Human Aspects of Base Closure and Defense Industry Downsizing, October 1996*, p. 12.

³¹ *US Office of Personnel Management Reduction in Force Benefits Guide*, 5 CFR Part 351, summarized at www.usajobs.opm.gov/b6b.htm.

Employee Assistance Programs. Most agencies offer some type of EAP program, designed to deal with a variety of needs and problems: emotional, family, stress, job performance, divorce, substance abuse, and financial hardships.

Assistance with Home Sales. “The Homeowners Assistance Program provides financial help to DOD military and civilian homeowners who must sell their homes and relocate because of base closures and reductions.”³²

³² *Strategies, Coping with the Human Aspects of Base Closure and Defense Industry Downsizing, October 1996, p. 12.*

APPENDIX E

KPMG Best Practices

BIBLIOGRAPHY

Books and Journals

Downsizing Law and Practice, Ethan Lipsig et. al., Bureau of National Affairs, Inc., Washington, D.C., 1996, a comprehensive survey of issues involved in restructuring, includes model forms, and several surveys on private sector practices in restructuring. Includes a very extensive bibliography. *Highly Recommended.*

Downsizing Law and Practice, Vol 2, 1997, updates first volume.

Effective Downsizing: A Compendium of Lessons Learned for Government Organizations, *National Academy of Public Administration*, Publications Department, 1120 G St. NW, Suite 850, Washington, D.C., 202-347-3190, summary of lessons learned from public and private sector, includes downsizing checklist.

Government Reports

Workforce Reductions: Downsizing Strategies Used in Selected Organizations: *General Accounting Office*, Washington, D.C., GAO/GGD-95-54, 1995, 202-512-3091, a survey of restructuring practices from 17 private sector firms, five states, and three foreign countries.

Periodicals

Friendly Firing, *Sale and Marketing Management*, v149n11, p. 132, Tricia Campbell, short hints on steps to avoid legal challenges.

The Guide to Responsible Restructuring, *Alliance for Redesigning Government*, *National Academy of Public Administration*, 1997, very good survey of issues to address in restructuring and focusing on best practices in the private sector. *Highly Recommended.*

Two Approaches to Improving Quality: John Deere and Boeing, *Alliance for Redesigning Government*, *National Academy of Public Administration*, November 12, 1997, examines two firms' approaches to dealing with work force change, Boeing training program is of particular interest.

Katie Bar the Door! Don't Let Your Good People Go, *Navran Associates Newsletter*, October 1995, Atlanta, Georgia, article on the problems faced when best employees are inclined to leave during restructuring and innovative approaches to encourage retention.

From Downsizing to Upsizing: Doing IT Right, *Information Technology*, Lance B. Eliot, July 1996, observations on pitfalls to avoid.

New Beginnings: The Impact of Restructuring, George C. Eddey, *Career Magazine*, 1996, study into impact on productivity of the remaining work force.

Web Sites

A large number of web sites include articles and studies on work force restructuring in the public and private sectors. Keywording “work force restructuring” “corporate downsizing” or other general terms will provide a long list of potential sites. Of particular interest are the following:

- <http://www.workforceonline.com>
The homepage of work force magazine, includes indexed articles on a full range of human resource subjects. Requires no-cost registration.
- <http://www.careerlhh.com>
Homepage of Lee Hecht Harrison, a leading consulting firm specializing in work force restructuring issues.
- <http://www.careermag.com>
Homepage of Career Magazine.
- <http://www.opm.gov/employ/html/RESTRUCT/htm>
Office of Personnel Management page on federal restructuring issues.
- <http://www.clearlake.ibm.com>
Homepage of the National Academy of Public Administration's Alliance for Redesigning Government, excellent links to other sites.
- <http://www.workforce.com>
Work force management information including articles, tips, forms, bulletin boards and product listings.